

*GPO: North America &
Anglophonic Regions*

Case Study on *Tae Guk Gi*

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1 Executive Summary

1.1 Key Findings

The U.S. film market is signaling several important changes in movie-goers' consumption of filmed entertainment: 1) while the overall number of ticket sold is decreasing, the share of specialty fare seems to be increasing, 2) the penetration of DVDs and other home entertainment products including Internet based online delivery will demolish the traditional sequencing putting more importance on other formats besides theatrical releases for film distribution.

As Korean films, with other foreign language films, should be categorized as specialty films in the U.S. market, analysis on U.S. specialty-goers was conducted and their demographic and sociological characteristics as well as their motivations in specialty film consumption were analyzed: 1) they seek more than fun in film viewing, 2) in selecting a film, they are more responsive to self-sourced information through media specialized in specialty film rather than mass advertising, 3) they are willing to travel further to see a specialty film.

The current situation surrounding Korean films in the U.S. was analyzed through surveys to eleven U.S. distributors and exhibitors who have handled Korean films, and a case study on *Tae Guk Gi*, a Korean film released in the U.S. in 2004. Two important findings were that 1) the marketability of Korean films in the U.S. was proved with solid box office results from *Tae Guk Gi* and *Spring Summer Fall Winter ... and Spring*, two titles released in 2004 and 2) Korean films should be distributed and marketed differently according to two different categories – Commercial & Asian-Focused and Art-house & Niche Oriented.

A SWOT (Strength, Weakness, Opportunity, Threat) analysis was conducted and showed the strengths of Korean films in action/romance/horror genres with high quality and popular casts for Commercial & Asian-Focused films and in creativeness harmonized with high quality from directors credited through festivals for Art-house & Niche Oriented films.

1.2 Recommendations

Based on the findings described above, strategic positioning was built as follows:

Commercial and Asian – Focused Korean Films will benefit those Korean American and Asian communities and non-Asian Asian film fans and alternately all U.S. film audience by delivering 1) fun and/or moving stories in action/romance/horror genres, 2) well-made high quality films, 3) fine looking stars and casts popular in Asia, and 4) contemporary culture or/and historical experience of Korea and Asia.

Art-house & Niche Oriented Korean Films will benefit those art-house enthusiasts who crave hot and new cinema and alternately all specialty goers by delivering 1) very well made high quality, 2) inspiring and unusual stories, 3) different cultural tastes, 4) beautiful scenery, 5) historical and cultural knowledge.

According to these strategies, action programs regarding distribution, communication, product and branding were suggested: 1) Theatrical distribution, DVD distribution, Cable distribution and remakes are all viable channels for Korean films with certain points to be taken care of such as release date and theatre locations, direct-to-DVD and simultaneous day-and-date worldwide releases for big titles, new DVD distributors as potential strategic partners, potential partners among U.S. cable companies and the pros and cons of remakes, 2) Direct marketing through word of mouth and grass-roots marketing, PR/Publicity through critics' reviews, advertising across media that can access the target audiences are all very important communication channels, 3) Strengths in Korean film products such as genre power, good casts, strong visuals should be continuously developed whereas weaknesses such as violence, long running times, poor subtitles should be cured. As for branding of Korean films, coordination among Korean sales companies, American distributors and KOFIC is a must.

1.3 GPO – The Very Next Steps

Through research and surveys, the following important and urgent needs for American distributors are revealed: 1) fluent communications regarding strategy and tactics for distribution and marketing of Korean films among Korean sales companies and American distributors and KOFIC, 2) a full production and contact list provided on an on-going basis, 3) screenings and press conferences with selected directors, 4) invitations to important film festivals in Korea, 5) demographic information on Korean Americans, 6) exit polls on opening weekends, 7) control of and protection of film content from piracy

2 Background and Research Purpose

2.1 Background

The Korean film market has been growing both internally and internationally. From 1999 to 2003, the national market grew by 5.3% (CAGR¹) from \$995 million to \$1,222 million². If the declining VHS/DVD market is disregarded, the theatrical box office grew by 26% from \$241 million to \$602 million. (Overall-Delete) The market share of Korean films in the local market also grew from 35.80% in 1999 to 49.6% in 2003 despite some fluctuations. During the same period, US theatrical box office grew by 6.2% from \$7,448 million in 1999 to \$9,489 million in 2003 (see Table 2.1).

Meanwhile, Korean films have shown a dramatic expansion into international territories. From 1999 to 2003, the total revenue from international sales of Korean films grew by 51% from \$6 million to \$31 million (see Table 2.2).

Table 2.1 Film Market Growth, Korea and U.S., 1999-2003

	1999	2000	2001	2002	2003
<i>Theatrical Box Office (million)</i>	\$ 240.62	\$ 306.04	\$ 405.71	\$ 505.71	\$ 601.66
<i>CAGR (1999-2003)</i>					25.7%
<i>Korean Film Market Share</i>	35.80%	32%	46.20%	45%	49.6%
<i>VHS/DVD (million)</i>	\$ 754.11	\$ 692.72	\$ 595.90	\$ 617.79	\$ 620.02
<i>Total Market (million)</i>	\$ 994.73	\$ 998.77	\$ 1,001.61	\$ 1,123.50	\$ 1,221.68
<i>CAGR (1999-2003)</i>					5.3%
<i>US Theatrical B.O. (million)</i>	\$ 7,448.00	\$ 7,660.70	\$ 8,412.50	\$ 9,519.60	\$ 9,488.50
<i>CAGR (1999-2003)</i>					6.2%

Table 2.2 Korean Film Exportation, 1999-2003

	1999	2000	2001	2002	2003
<i>Korean Film Exportation (million)</i>	\$ 5.97	\$ 7.05	\$ 11.25	\$ 14.95	\$ 30.98
<i>CAGR (1999-2003)</i>					50.9%

From recent research³ of the Korean Film Council, which used regression analysis against the market data over the same period, the main driving force of this growth turned

¹ Compounded Annual Growth Rate

² Applied exchange rates are 1,189 won, 1,131 won, 1,291 won, 1,251 won, 1,192 won to \$1 (from 1999-2003 respectively), Source: *International Financial Statistics*, Bank of Korea

³ *Driving forces - the Growth of Korean Film Market*, Korean Film Council, August 2004

out to be strong content power both in quantity and quality enhanced after de-regulation of production which occurred in 1985.

However, digging down one level further, under this fundamental growth, a crucial weakness has been residing: uneven regional expansion (see Figure 2.1). Most of the international sales are consumed by the Asian audience, especially the Japanese audience which accounted for 69% of total international sales during the first half of the year 2004 (see Table 2.3 & Figure 2.2).

Figure 2.1 International Sales of Korean Films by Region (%), Jan-June 2004

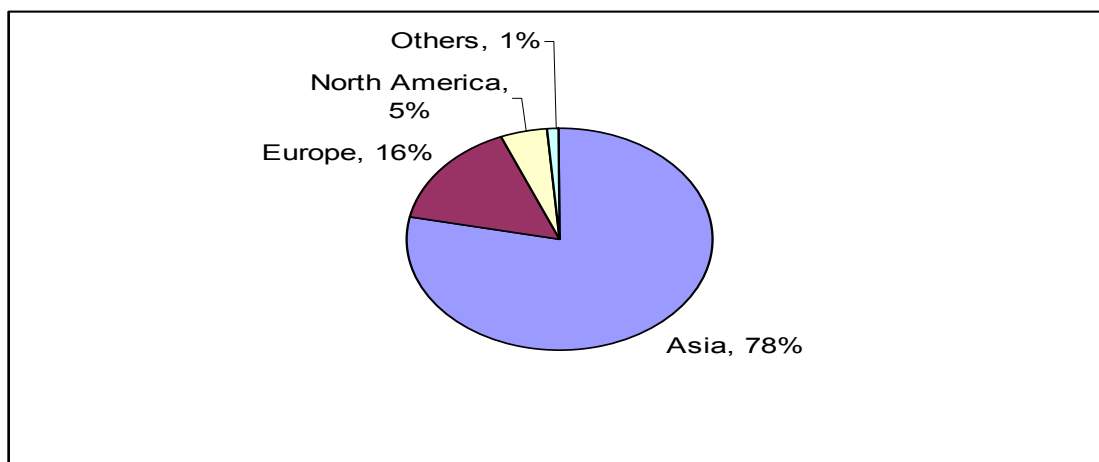
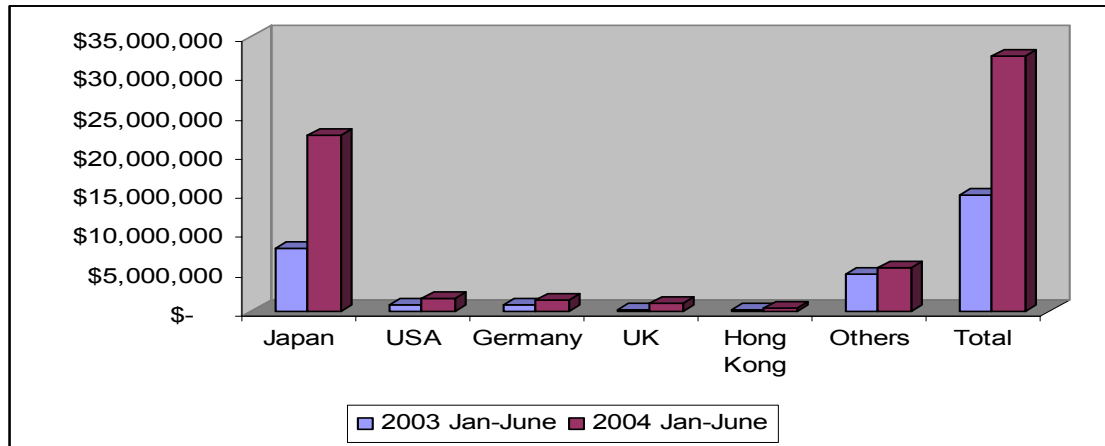


Table 2.3 & Figure 2.2 International Sales of Korean Films by Region (\$), Jan-June 2003 & 2004

	2003 Jan-June		%	2004 Jan-June		%	Growth
Japan	\$	7,990,000	54%	\$	22,401,000	69%	180%
USA	\$	779,500	5%	\$	1,591,000	5%	104%
Germany	\$	919,000	6%	\$	1,533,000	5%	67%
UK	\$	256,500	2%	\$	935,000	3%	265%
Hong Kong	\$	263,000	2%	\$	508,000	2%	93%
Others	\$	4,708,000	32%	\$	5,552,150	17%	18%
Total	\$	14,916,000	100%	\$	32,520,150	100%	118%



2.2 Research Purpose

Turning a Problem into an Opportunity

Although a lower cultural discount in Asia is to be taken into consideration, the regionally uneven distribution is striking. However, this phenomenon reveals the potential market power of Korean films. With its rapidly growing popularity in Asia and strong content power proven in various international competitions, Korean films are believed to be the next 'nouvelle vague' to attract movie-goers who seek variety in filmed entertainment contents in those under-explored markets.

Research Users

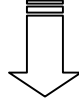
That potential described above is not fully exploited yet. Noticing the growth in terms of the number and dollar amount of sales of Korean films to North American distributors on the one hand and the lack of successful cases in the relevant market on the other hand, Korean Film Council (KOFIC) realized that a golden bridge should be built between Korean content providers and North American distributors. Also, KOFIC itself would benefit from the in-depth understanding of how both entities really work to give benefit back to them using its governmental resources.

Research Purpose

KOFIC has positioned the ***Global Promotion Outpost*** (GPO) plan as its on-going basis strategies to construct a firm infrastructure by facilitating partnership and cooperation between Korean and international investors and distributors focusing on both sides' needs. Amongst its five targeted global regions of Asia Pacific, North America, South America, Western Europe and Eastern Europe, this research is designed and executed for North America & Anglophonic Regions but its application might not be restricted to other regions.

- ▶ Facilitate the pre-sales & investment through activating dynamic information network and exchange
- ▶ Support local distributors' marketing programs with governmental resources through developing various programs such as post-acquisition support programs

- ▶ Run a specialized task force team functioning in a consultant's role related to law, sales, criticism and programming within the region to provide local distributors with above mentioned support on an ongoing basis



Synergetic effect for North American distributors with the need to secure diverse and risk-hedging contents and Korean sales companies with the need to expand into North American territories in a more efficient way.

Research Scope In terms of the research scope, limiting this initiative research boundary to the U.S. market should be reasonable as U.S. distributors are the most frequent and experienced purchasers and distributors of Korean films in North America and Anglophonic Area.

Research Questions In order to provide valuable information and analyses to build the GPO – North America and Anglophonic Area plan that achieves the objectives described in **Research Purpose** above, the following research questions should be addressed.

▶ Current Market Situation

- An Overview of the U.S. Movie Industry
- How will be the U.S. Specialty Film⁴ Market?
- Who are the audience of Korean films?
- How does this audience behave in seeing Korean films?
- What aspects of Korean films make U.S. buyers acquire and distribute them?
- Where and how are U.S. buyers exposed to Korean films and information?
- What is the competitive set for Korean films in the U.S. market?
- *Tae Guk Gi* Case

⁴ By 'Specialty Film', we mean those films that are targeted to niche audience who value experimental and experiential aspects other than fun factors in film content and technique and that usually do not require mass marketing and heavy star cast, therefore could be made with lower budget. As studio funds are penetrating into more and more various film productions either through their specialty film arms such as Miramax (owned by Disney), Focus Features (owned by Universal Pictures), and Fox Searchlight (owned by Fox Filmed Entertainment) or parent studios themselves, this term 'Specialty Film' is replacing once-called 'Independent Films' to indicate films that have the characters described above.

► Strategy

- Who are Korean films' target distributors and target audience?
- What should be Korean films' differentiated benefit to be positioned to these customers?

► Marketing Mix

- Korean films as products: Which features of Korean films will appeal to and how should Korean films be branded in the U.S. market?
- Communications: What are efficient ways of advertising and promoting Korean films?
- Distribution: What are the appropriate points of access to Korean films for the target customers?

► KOFIC GPO's roles

- Which programs are desired by U.S. distributors to promote and market Korean films?

3 Research Design

3.1 Research Design

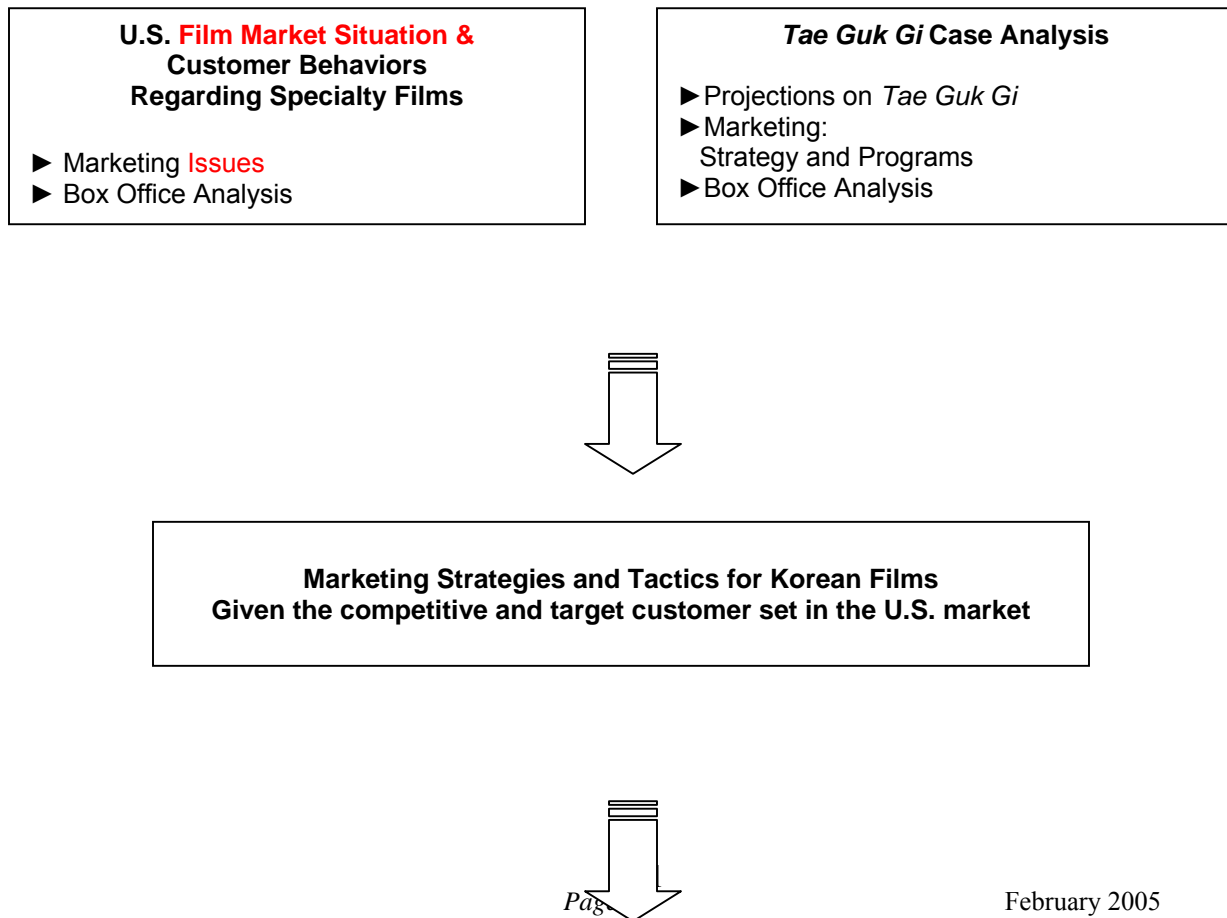
Secondary Data and Survey on Specialty Film Market I started with researching and analyzing secondary data available on the macronomics of the U.S. film industry. To understand the U.S. specialty film market, I led an MBA team project of a pilot study on 109 students through an online survey which turned out to provide additional meaningful information regarding specialty film goers' behavioral issues.

Case Study on Tae Guk Gi To establish a realistic and effective outpost plan, a case study was necessary. By tracking the steps of and analyzing in detail a case from purchase to release, we would be able to approach the actual needs of North American and Korean sales companies that KOFIC as an organization with governmental resources is striving to fulfill. Therefore, KOFIC took *Tae Guk Gi*, released from September 3 to December 10 in the U.S. market as the main subject of this research because it was the widest ever release of a Korean film into 14 states and 49 cities. The differentiators that led to this wide release in contrast to previous Korean releases and the analysis of its outcome would provide insightful information about US distributors and audience behavior.

In-Depth-Interviews In-Depth-Interviews (IDI) with three contacts who were deeply involved with *Tae Guk Gi*'s release in the US market were conducted in order to do more detailed analysis and provide a solid platform to expand the research scope.

Online Survey An intense online survey was conducted targeting eleven US distributors, marketers and programmers who have accumulated the most knowledge and experience of introducing specialty films including Korean films to the U.S. audience. The survey questionnaire was designed based on the findings from the IDIs with *Tae Guk Gi* contacts (see Appendix).

3.2 Research Flow



**Recommendations based on the findings
for KOFIC GPO's role and strategic plan**

4 Analysis and Findings on Current Market Situation

4.1 U.S. Film Market

I focused on the most relevant and important issues to the subject of this report rather than try to cover the broader range of the U.S. movie macroeconomic situation.

4.1.1 Box Office Trends

The year 2004 turned out to be another disappointing year for the U.S. movie industry. Domestic total box office is estimated to be only 1.4 % up from that of 2003 when the first decline since 1991 occurred. Yet, this could be held due to higher prices; the number of tickets sold went again down by 1.7% after the 4 % decline of the previous year (see Table 4.1).

Table 4.1 U.S. Total Theatrical and Homevid Market (1999-2004)

	1999	2000	2001	2002	2003	2004*
<i>Gross Ticket Sales (million)</i>	\$ 7,448	\$ 7,661	\$ 8,413	\$ 9,520	\$ 9,489	\$ 9,622
<i>Year-to-Year Growth Rate</i>	7.2%	2.9%	9.8%	13.2%	-0.3%	1.4%
<i># of Ticket Sold (million)</i>	1,465.2	1,420.8	1,487.4	1,639.3	1,574.0	1,547.2
<i>Year-to-Year Growth Rate</i>	-1.0%	-3.0%	4.7%	10.2%	-4.0%	-1.7%
<i>Gross Homevid Sales (million)</i>	\$ 17,053	\$ 18,613	\$ 20,549	\$ 22,183	\$ 24,439	TBD
<i>Year-to-Year Growth Rate</i>	4.2%	9.1%	10.4%	8.0%	10.2%	N/A

Source: Motion Picture Association

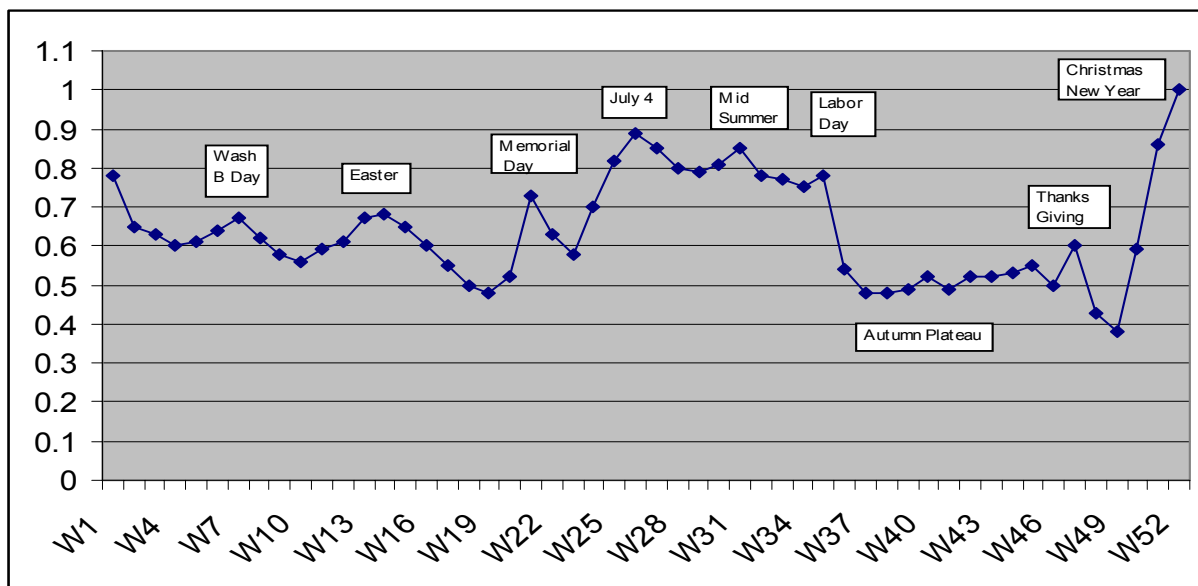
* Source: Exhibitor Relations, MPA will publish Year 2004 Results after March 15, 2005

Among many arguments regarding this downturn in the U.S. movie industry, some are worthy of noting. It is known that the movie business has contra-cyclical characteristics meaning that as the economy enters a recessionary phase, consumers tend to shift toward the cheapest entertainment choice, which is going to a movie. From this point of view, the fact that U.S. has been in the recovery phase since 2003 could explain this downturn in the movie industry. However, industry insiders mention other reasons: 1) The movie industry is suffering from its own success of the year 2001 and 2002 when revenues grew by 20%. Industry analysts say sustaining that level of growth would be unrealistic and that the comparatively small audience declines in 2003 and 2004 were not a cause for alarm.⁵ 2) These are significant signs that the mainstream audience for movies may be drifting away in a slow but relentless pattern as for broadcast television and music. The growing sales of DVDs, which became the main source of revenues for studios, is in turn, negatively affecting the number of tickets sold - this will be addressed later in 4.1.3 below. Overall, heterogeneity in American pop culture plays an important role in this phenomenon: the Internet, cable and satellite TV, DVDs and home theater are drawing away people's attention. In the theaters also, this heterogeneity applauded two projects that were rejected from studios, *The Passion of the Christ* & *Fahrenheit 9/11*, accounting for more than 5% of the total gross ticket sales. Had it not been for these two titles, the total 2004 box office would have been 6% behind the previous year. 3) The spread of online piracy, whose effect has been particularly noted in the music industry where global sales of CDs have been in decline since 2001 despite the closure of Napster.

4.1.2 Movie Going and Distribution Patterns

Seasonal demand patterns seem to stay discernable. Most movie goers go to the movies during vacation periods such as Thanksgiving, Christmas, and Easter and the long summer vacation (see Figure 4.1)⁶.

Figure 4.1 Normalized Weekly Fluctuations in U.S. Film Attendance (1969-1984)



Source: *Variety*

Thus, with the increased number of released films, the concentration of important film releases within a clustered few weeks a year makes the competition in the movie business even more acute and severe. Factoring in the end of the year concentration for Oscars on top of this, a chief of one major said “There's a certain insanity to the industry's practice of releasing virtually all of its adult, Oscar-worthy pictures in the final weeks of the year, when our prime adult audience is the busiest and least responsive.”⁷

As for the movie-goers' demography, while the young population aged 12-29 represented 48% of the theatrical admissions in 2003, the 50-59 age group marked the biggest annual increase in movie-going with a 20% increase making up 11% of the total theatrical population(see Table 4.2).

Table 4.2 Percent of Yearly Admissions by Age Group (1999-2003)

Age Group	1999	2000	2001	2002	2003	Population
12-15	11%	10%	12%	10%	11%	7%
16-20	20%	17%	16%	17%	16%	9%
21-24	10%	11%	10%	12%	12%	6%
25-29	12%	12%	9%	11%	9%	8%
30-39	18%	18%	19%	17%	19%	18%
40-49	14%	14%	17%	15%	14%	19%
50-59	7%	10%	9%	8%	11%	14%
60 and over	8%	8%	8%	9%	8%	19%

Source: MPA 2003 Movie Attendance Study

4.1.3 Rise of the DVD: Demolition of Sequencing

The profit equation for the movie business is being changed. The rule-of-thumb: Hollywood movies break even with domestic box office matching production costs and foreign revenues equating to exhibitors' split while ancillary revenue from home video and TV distribution compensates for marketing costs. Even this rule is now being changed with the enormous growth in DVD sales. Today, many pictures see deficit theatrically and still turn a profit thanks to homevid, which in the industry stands for video cassettes and DVDs (see Table 4.3).

⁷ *Variety*, January 4, 2004

Though people bought fewer tickets to movie theaters in 2004 as described above in section 4.1.1, they greatly increased their spending on DVDs. Revenue from the purchase and rental of DVDs increased more than 40% to \$16.3 billion and the average household with a DVD player bought 16.5 DVDs in 2003. That pushed overall spending on total videocassettes and DVDs to \$22.2 billion, a 9.3% increase over 2002.⁸

In other words, movie-goers are comparing theatrical and home screenings as apples and oranges when it comes down to smaller movies. With the growing dichotomization of the theatrical market, as strongly proved by the results from 2004, where just five movies "Shrek 2," "Spider-Man 2," "The Passion of the Christ," "Harry Potter and the Prisoner of Azkaban" and "The Incredibles" accounted for roughly one-sixth of the total revenue, smaller film projects other than those must-see films are obviously competing with and probably being defeated by the increasing home screenings. Therefore, from the customers' perspective, the traditional sequential movie distribution patterns from theater, homevid and TV networks, would not hold long except for event movies.

From the distributors' perspective also, shifts in traditional sequencing are likely to occur. First, as the production costs and thus the amount of capital invested in film production have been rapidly rising, faster return on the investment became more necessary than before and this in turn has been pressing earlier openings across all windows. Second, with the Internet's augmenting usage for film content viewing all over the world, studio executives are seriously considering simultaneous worldwide day-and-date releases.

Table 4.3 Film Industry Revenue Sources, 1980 and 2000⁹

	1980		2000	
Theatrical:				
Domestic	\$ 1,183	30%	\$ 3,100	15%
Foreign	\$ 911	23%	\$ 2,900	14%
Home Video	\$ 280	7%	\$ 7,800	38%
Pay Cable	\$ 240	6%	\$ 1,600	8%
Network TV	\$ 430	11%	\$ 300	1%
Syndication	\$ 150	4%	\$ 800	4%
Foreign TV	\$ 100	3%	\$ 1,400	7%
Made for TV films	\$ 700	18%	\$ 2,500	12%
Total	\$ 3,994	100%	\$ 20,400	100%

DVD's rapid household penetration is also expanding the number of foreign-language imports arriving from alternative sources as well as the established distribution and retail networks. The emerging retailer Netfilx.com proves this effect. In 2001, foreign rental in total accounts for just over 12 percent of Netfilx' rentals.¹⁰ To support the company's diverse national consumer base, Netflix has built a library of 814 titles from India, for example.

⁸ *Video Business*

⁹ *Entertainment Industry Economics*, , Harold L. Vogel

¹⁰ *Advanstar Communications*, July 2001

4.1.4 Stagnant Film Production and Screen Building

The overall growth in film production and screen building has been stagnant with some fluctuations (see Table 4.4 & 4.5).

The downturn in the total box office and the demolition of traditional sequencing could well explain the background of these phenomena; with the increasing number of releases making fiercer competition for theatrical revenues, the number of productions are decreasing and customers' shifting toward DVD and other windows makes screen builders hesitant to continuously invest in expanding the business. The overall theatrical market seems fully matured.

Table 4.4 U.S. Film Productions and Releases (1999-2003)

	1999	2000	2001	2002	2003
# of Movies Produced	758	683	611	543	593
Year-to-Year Growth Rate		-9.9%	-10.5%	-11.1%	9.2%
# of Movies Released	442	458	462	449	459
Year-to-Year Growth Rate		3.6%	0.9%	-2.8%	2.2%
% of Release	58%	67%	76%	83%	77%

Source: 2003 MPA Market Statistics

Table 4.5 U.S. Theaters and Screens (2001-2003)

	2001	2002	2003
Single Screen	2,280	1,682	1,684
Year-to-Year Growth Rate		-26%	0.1%
Miniplex (2-7 screens)	2,901	2,457	2,419
Year-to-Year Growth Rate		-15%	-1.5%
Multiplex (8-15 screens)	1,458	1,437	1,473
Year-to-Year Growth Rate		-1%	2.5%
Megaplex (over 15 screens)	431	474	490
Year-to-Year Growth Rate		10%	3.4%
Total Theaters	7,070	6,050	6,066
Year-to-Year Growth Rate		-14%	0.3%
Total Screens	36,764	35,280	35,786
Year-to-Year Growth Rate		-4%	1.4%

Source: 2003 MPA Market Statistics

4.1.5 Mega Marketing on Mega-budget Films

The clustered and simultaneous multiplex wide releases of blockbuster films within peak seasons have been the main cause of the rise in distributors' expenditures on the

marketing of films - the growth rate of the marketing spending exceeds the overall rate of inflation (see Table 4.6). The intense competition to attract attention and the importance of the opening performance to secure enough screens for consecutive weeks to recoup the gigantic investment necessitate studios' mega marketing tactics on mega-budget films.

Table 4.6 Average Production and Marketing Costs for U.S. Films (1999-2003)

	1999	2000	2001	2002	2003
Negative Costs (millions)	\$ 51.5	\$ 54.8	\$ 47.7	\$ 58.8	\$ 63.8
<i>Year-to-Year Growth Rate</i>		6.4%	-13.0%	23.3%	8.5%
P&A Costs (millions)	\$ 24.5	\$ 27.3	\$ 31.0	\$ 30.6	\$ 39.1
<i>Year-to-Year Growth Rate</i>		11.4%	13.6%	-1.3%	27.8%
Total	\$ 76.0	\$ 82.1	\$ 78.7	\$ 89.4	\$ 102.9
<i>Year-to-Year Growth Rate</i>		8.0%	-4.1%	13.6%	15.1%

4.2 U.S. Specialty Film Market

As is well known, all foreign-language films, and therefore subtitled films are considered as specialty or art-house films in the U.S. as the audiences view them as such. Taking this assumption as truth, in spite of some exceptional films and potential changes in this concept in the future, this chapter will focus on the U.S. specialty film market as it is where the Korean films would find their place.

4.2.1 Rise in Specialty Movie Productions in the U.S.

Before looking at the demand side, the obvious fact from the supply side: the number of specialty films released annually doubled from 1990 to 2000 (see Table 4.7).

Table 4.7 Specialty vs. Major Studio Releases (1990-2000)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	CAGR*
Specialty Films	165	164	166	152	155	179	118	187	276	291	338	7%
Major Studio Releases	101	106	100	125	123	135	142	130	134	132	127	2%

CAGR: Compound Annual Growth Rate

Source: ShowBiz Data, Inc.

Behind this phenomenon lie the following well-known reasons:

- 1) Diversified financing methods other than studio productions have been developed due to the high risk nature of 'Nobody Knows'
- 2) Art for art's sake – despite the high risk of losing the initial investment, people keep producing and distributing films because of artistic motivations

Could we put another hopeful reason to these – increasing demand from the audience who wants more diverse filmed contents? The following section will speculate on this issue.

4.2.2 Projection on the U.S. Specialty Film Market

In 2004, the U.S. market share of specialty films increased to 14% from their customary 6% -8% share in the past. From 2001 to 2003, indie distributors captured average \$600 million per year. By the end of October in 2004, the films in specialty category claimed \$1 billion in box office.¹¹ As mentioned in 4.1.1, the top two indies of 2004, *The Passion of the Christ* and *Fahrenheit 9/11*, captured \$370 million and \$119 million respectively. Reflecting the growing importance of the specialty films, all the major studios¹² now own their own specialty film operations with the latest launch of Warner Brothers Independent Pictures in August 2003. One industry expert said that recently main theater chains are building screens for specialty films where traditional specialty goes to see movies. All these facts could be interpreted as indicators of the rise of specialty films in the current U.S. market. However, to grasp as firm as possible picture of its sustainability over long-term, surveys on industry people and audience were conducted.

4.2.2.1 Projections of Distributors and Exhibitors[JLEE1]

The majority of these industry experts were skeptical about the consistent growth of specialty films' theatrical market share because of the incredibly large number of films competing for limited screens in theatres. However, whether their rise in the current market share is temporary or not, they agreed on the possibility of expansion of niche audiences' pool with DVD and online distribution options and accumulated understanding of how to market these films to them.

¹¹ *Hollywood Reporter*, October 29, 2004

¹² Fox, Paramount, Sony-MGM, Universal, Walt Disney, Warner Brothers

When asked about this growth of specialty films in the box office, three out of eleven distributors/exhibitors said they are seeing a fundamental movement and expect the audience of specialty films to consistently grow. These people commented that 1) some special distributors such as Miramax have contributed to the fundamental improvement of such genres, 2) the promising trend of greater details and focused efforts in how to market specialty films and to find niche audiences would continue to make higher returns on specialty films, 3) DVD and broadband delivery would increase availability of more specialty films in the market.

The other eight respondents were skeptical arguing that there has been and will continue to be a ceiling for the market share of specialty films and those recent rises in the specialty films' market share should be a temporary phenomenon due to one or two exceptional titles. These people commented that 1) with incredible competition in a more and more crowded market (10 to 18 films per week), specialty films are competing with themselves for screens and media coverage (The NY Times, for example, can only cover 1 - 2 specialty films per week) and therefore cannibalizing their audiences, 2) DVD and broadband delivery would steal a significant portion of the specialty audiences from theatres.

4.2.2.2 Audience Survey Result

From randomly chosen specialty goers as well, a consistent growing trend in specialty movie-going did not exist. However, the result, which can be a snapshot of the overall market, showed that, with random respondents at least, the overall frequency of seeing a specialty film is not dependent solely on just a few star titles of the year.

One^[LEE2] other result worthy of notice is that the proportion of specialty goers among movie goers was surprisingly high reaching almost 50%, even though we take into the consideration the fact that the respondents were all highly educated (graduate students) compared to a randomly chosen sample. 109 students were asked to check the titles they saw in the theater or on DVD/VHS from a list of 25 specialty films released from 2000 to 2004. The 25 titles were chosen to be with various box office results to be made as random as possible. The average number of specialty films the 109 respondents saw over 5 years was 8. Respondents who saw more than or equal to 8 specialty films were categorized as 'specialty goers'. Among our respondents, who were graduate students, 54 people or 49.5% were labeled as specialty goers.

The total number of titles that these specialty goers saw over the years did not show any consistent trend. It only showed that 1) with one year surges, the following year's total plummeted, 2) year 2002 when *My Big Fat Greek Wedding* was released and year 2004 when *Fahrenheit 9/11* was released (we excluded *The Passion of the Christ*) did actually show decreases from the previous year, conflicting with what distributors and exhibitors were saying about a few exceptional titles' effect on the overall specialty market (see Table 4.8).

Table 4.8 Movie-Going Trends of Specialty Goers

	2000	2001	2002	2003	2004
Total # of Specialty Films Seen	89	133	116	144	86
Year-to-Year Growth Rate	N/A	49%	-13%	24%	-40%

4.2.3 Characteristics of Specialty Goers

Generally, specialty audiences are known to have the following characteristics:

1) Demographically:

- People who are older than 30
- People who live in the cities
- People who have different backgrounds/cultures/origins

2) Sociologically:

- People who are well-educated
- People who are liberal
- People who earn higher than average income

From those 109 students who responded to the survey, the following characteristics and attributes turned out to contribute to make people categorized as specialty goers.¹³

1) Concerning motivations to see a movie in general:

- People who like movies that inspire them
- People who like movies that teach something about a different culture
- People who like movies that teach about historic events or people

2) Concerning specialty films:

- People who are willing to travel a little further than the closest theatres to see a specialty film
- People who don't think specialty films should be advertised more
- People who are aware of the specialty films currently playing in theatres
- People who plan to see more specialty films in the future

4.2.4 Valued Traits for Specialty Films

The 109 students ranked select traits of a movie based on how much the traits influence which specialty film they choose to see. Results indicate that word of mouth and opinions heard from others about movies is the strongest determinant of which specialty film these moviegoers choose to see. The quality of the storyline and critics' reviews followed after word of mouth.

¹³ Logistic Regression Analysis was used to determine the attributes that have significance in predicting the possibility of being categorized as a specialty goer. The pseudo R², an indicator of the overall fitness of the model to the prediction, was 37%, therefore, the prediction power was high (over 30% is viewed as meaningful).

The traits were ranked as follows (aggregate score over 5 listed next to each trait):

- 1) Word of mouth/opinions I have heard from others 4.42
- 2) Quality of storyline 4.25
- 3) Critics' reviews 3.36
- 4) Movie choice of those accompanying me 3.35
- 5) Festival credits/nominations & awards at festivals 2.94
- 6) Director 2.87
- 7) Casting (specific actors) 2.85
- 8) Amount of advertising I have seen about the movie 2.72
- 9) Appealing advertising campaign 2.55
- 10) Music/soundtrack 2.24
- 11) Amount & quality of special effects 1.98
- 12) Studio that produced the movie 1.56

4.3 Korean Films in the U.S. Market

Eleven distributors and exhibitors who have acquired, distributed and exhibited Korean films along with other specialty films gave responses to questions designed to analyze the customers, meaning both end-audiences and middle-distributors, competitors of Korean films and to estimate the current and future position of Korean films in the U.S. market especially through the cases of *TaeGukGi* and *Spring, Summer, Fall, Winter...and Spring*.

Although Korean cinema's presence in the U.S. theatre scene is a very recent story and the market share is minimal, showing how several Korean films have performed ahead of other detailed analyses would be of help to draw a bigger picture regarding this year's surge and for the future.

Table 4.9 Korean Films in the U.S. theatres (2000-2004)

	2000	2001	2002	2003	2004
Gross Ticket Sales (million)	\$ 7,661	\$ 8,413	\$ 9,520	\$ 9,489	\$ 9,622
Korean Films Sales (million)	\$ 0.883	\$ 0.003	\$ 0.574	\$ 0.064	\$ 3.549
Korean Films' Market Share	0.01%	0.00%	0.01%	0.00%	0.04%
Year-to-Year Growth Rate		-99.71%	22274.41%	-88.85%	5443.57%
# of Korean Films	3	1	4	1	3
Sales per Film	\$ 0.294	\$ 0.003	\$ 0.144	\$ 0.064	\$ 1.183
Year-to-Year Growth Rate		-99%	5494%	-55%	1748%
<i>Nowhere to Hide</i>	\$ 0.022				
<i>Chunhyang</i>	\$ 0.799				
<i>Lies</i>	\$ 0.062				
<i>Tell Me Something</i>		\$ 0.003			
<i>The Way Home</i>			\$ 0.445		
<i>Take Care of My Cat</i>			\$ 0.010		
<i>The Isle</i>			\$ 0.021		
<i>Shiri</i>			\$ 0.098		
<i>Chihwaseon</i>				\$ 0.064	
<i>Tae Guk Gi</i>					\$ 1.111
<i>Spring Summer...</i>					\$ 2.381
<i>A Tale of Two Sisters</i>					\$ 0.058

As shown above in table 4.9, the average box office take per Korean film was \$1.183 million in 2004. Even though we all agree on the high uncertainty in the film business, this result of 2004 deserves to be taken as a milestone if we consider the industrial norm of crediting a specialty film as a success when it hits the \$1 million threshold in the U.S. box office.

4.3.1 The Audiences of Korean Films

4.3.1.1 Who - The Identity of the Current Audiences

From their own experiences with distributing Korean films, the industry respondents unanimously stated that the audiences fall into the following three categories:

- 1) Korean American community who want to see Korean films in theatres with big screens rather than to rent them from video stores and live in popular locations to Koreans such as L.A., New York, etc.
- 2) Asian American community who are interested in Asian films and now aware much of Chinese and Japanese films but curious to learn more about Korean films.

3) Non-Asian art-house audiences who are interested in Asian and other foreign-language films

They added that as for the non-Asian art-house enthusiasts, regardless of actual genres, all Asian and foreign-language films are viewed as art-house films as a whole, meaning they normally don't have particular preferences regarding nationalities of such films.

4.3.1.2 Why - Motives to See a Korean Film

Respondents were asked to rate motives that make people to see Korean films based on how much the motives influence these audiences to see a Korean film. The motives put in the survey were chosen through in-depth interviews that were pre-conducted with distributors who have accumulated experience handling Korean films in the U.S. market. The ethnic background as Koreans and Asians and the quality of the content are the strongest motives for the audiences of Korean films. The director's credit is the third most important factor.

The motives were ranked as follows (aggregate average score over 5):

- 1) Ethnic Background – Koreans and Asians 4.3
- 1) Content – Fun & Quality 4.3
- 3) Director Credit 3.8
- 4) Cultural & Historical Interest 3.2
- 5) Casting 1.8

Respondents shared their insights regarding the ethnically motivated group saying these people tend to be attracted to Korean films to find their identities through experiencing such contents. As for the content feature, they mentioned that they believe Asian films are popular because of their style, as proved by the films of Wong Kar-Wai and Ang Lee in the U.S. market where the dictatorial Hollywood has long been blamed in lacking originality.

When asked for additional motives that the respondents could think of, one respondent added attending a Korean film at a film festival as another relevant motive.

4.3.1.3 How – Communication Channels for Korean Films

Respondents ranked communication channels to attract audiences' attention based on how effectively the channels deliver the words out to the relevant public. Again the channels put in the survey were selected through pre-conducted in-depth interviews as well as observations on distributors' practices to market specialty films.

Results show that word of mouth and critics' reviews are the most important channels to reach out to the target audiences. Newspaper advertising is the next important channel.

The total communication channels were ranked as follows (aggregate average score over 5):

- 1) Word of Mouth 4.67
- 1) Critics' Reviews 4.67
- 3) Newspaper Advertising 3.4
- 4) Online Advertising 2.8
- 5) Magazine Advertising 2.2

Respondents also commented that critics' reviews are generally important for subtitled or foreign-language films whereas they find word of mouth is specifically critical for Asian films. They also think that the time for large-scale marketing is not yet come for Korean films but would be the case if the market expands enough.

4.3.1.4 Where – Exhibition Channels for Korean Films

Respondents chose exhibition channels where the Korean films are exposed to the audiences based on how frequently they think these channels are used by the relevant public. This was a multiple choice question to which respondents could check all answers they think applicable.

Results indicate that DVD is the most representative exhibition channel for Korean films. Video rental from local Korean stores counted as the next frequented channel used. No respondent counted cable as an exhibition channel for a Korean film yet.

The total exhibition channels were ranked as follows:

- 1) DVD 44.4%
- 2) Video Rental from Korean Stores 33.3%
- 3) Theatre 11.1%
- 3) Film Festival 11.1%
- 5) Cable 0%

It should be noted that these results are not from direct market observations but from what the industry experts perceive through their own observations. Also, I would like to leave a note that one of the in-depth interviewees was program & acquisition director of a newly launched cable channel specialized in Asian contents and he was projecting digital cable channels such as his as a potentially powerful window for Korean films based on what he has been observing through his channel's rapid growth.

Some respondents were alarmed that the current custom of Korean sales companies of selling un-subtitled video rights to the U.S. video distributors would very possibly turn out to be cannibalizing the total pie sooner or later, stealing the same target audiences from wider releases in theatres or through DVDs.

4.3.2 The Distributors of Korean Films

4.3.2.1 Who – Distributors of Korean Films in the U.S.

The main distributors of Korean films fall into three categories; indie distributors and specialty arms of major studios, major studios, and direct-to-video (DTV) distributors (see Table 4.10).

Several specialty focused indie distributors and specialty arms under major studios have acquired Korean films and distributed them to theatres. These films were viewed by distributors as art-house films and marketed as such. Then major studios themselves acquired big-hit titles in the Korean market to market them ‘commercially’ to the Korean-American community or to remake them in American versions. In the meantime,

AD Vision, a multi-media entertainment company specializing in Anime publishing, TV, merchandising and licensing, has secured all rights to various Korean titles in order to distribute them directly in the DVD format.

Table 4.10 Distributors of Korean Films in the U.S. (2000-2003)

Distributor Category	Distributors	Selected Titles	Acquisition Type	Release Format
Indie Distributors & Specialty Arms	Sony Classics	Three Irons Spring Summer...	All Right	Theatrical
	Kino International	Chihwasun Take Care of My Cat Tell Me Something	All Right	Theatrical
	Paramount Classics	The Way Home	All Right	Theatrical
	Lot 47	Chunhyang	All Right	Theatrical
	Lions Gate	Nowhere to Hide	All Right	Theatrical
Major Studios	Sony Pictures	TaeGukGi Shiri	All Right	Theatrical
	Dreamworks	Two Sisters My Sassy Girl	Remake	Theatrical
	Disney-Miramax	My Teacher Mr. Kim My Wife is a Gangster	Remake	Theatrical
	Warner Brothers	Shiworae	Remake	Theatrical
	MGM	Dharma	Remake	Theatrical
DTV distributor	AD Vision	Yesterday Jungle Juice Siren Family	All Right	DVD

Throughout the interview and survey processes, several respondents stated that given the situation where specialty arms under major studios have recently shifted from being acquisition-focused to production-focused, with the exception of Sony Classics, Korean films' international sales companies should not focus only on these specialty arms as potential partners.

4.3.2.2 Why – Motives to Acquire Korean Films

Respondents clearly stated the following three reasons to buy Korean films:

- 1) High quality
- 2) High profitability
- 3) Portfolio expansion.

For quality aspects, it was interesting to find out that most distributors started out with 'because I (we) liked it' to reply to this question. Then they mentioned about the high quality of Korean films. On the other hand, they stated that they buy Korean films out of pure commercialism, saying 'We are seeking profit', 'It's hot and trendy' and 'on top of

that, it is cheap'. Finally, distributors are acquiring Korean films to secure a broader portfolio of films in their pipelines. They want to maximize their profits by selling different films to different markets given the huge uncertainty of the industry – 'nobody knows'.

4.3.2.3 How - Information Channels for Korean Films

The channels these buyers and distributors use to track information on Korean films fall into the following four categories:

Film festivals and markets (one on one contacts, programmers, catalogues)
Websites (*Koreanfilm.org*, online DVD retail stores such as *YesAsia.com*)
Emails/Newsletters from Korean sales companies and production companies
Trade publications (English weeklies such as *Variety*)

This question was designed as an open-ended one to grasp as much information as possible about how these distributors and exhibitors are gathering information on Korean film productions and performances.

The overall impression was they are mostly relying on one-on-one based research or contacts to gather the information and find it quite inconvenient to search for reliable and on-going information regarding the dynamic Korean film industry. None of the respondents indicated *Korean Cinema* or the KOFIC website as sources of information.

4.3.2.4 When and Where – Screening and Acquisition Channels for Korean Films

Distributors ranked the channels they use to screen and acquire Korean films based on how frequently they rely on those channels to make decisions on purchases. The channels that were put in the survey were selected from in-depth interviews.

The results show that the most frequently used channel are screeners received from Korean sales companies. Among film festivals and markets, Cannes/MIF is the most important place to expose Korean films to buyers. No respondent chose MIFED as a place where they have bought a Korean film.

The total screening and acquisition channels for Korean films were ranked as follows (aggregate average score over 5):

- 1) Screener from Korean Distributor 4.54
- 2) Cannes 4.4
- 3) Toronto 3.0
- 4) AFM 2.0
- 5) MIFED 0

One respondent mentioned Vancouver as a place where he saw Korean films and several respondents asked about how effective the Pusan International Film Festival would be as a screening and purchasing point for a Korean film.

4.3.3 Competitive Set for Korean Films

Competitive Set Competitors to Korean films in the U.S. market can be categorized in order of the directness of their competition, as shown in figure 4.2: other Asian films, other foreign-language films and other specialty English-language films as a whole.

Figure 4.2 Competitive Set for Korean Films in the U.S. Market

1st Direct Competitors When asked about how much they estimate this competitive set to be correct, the respondents agreed with the overall framework. However, many were hesitant to agree that current movie goers for Korean films would choose between Korean films and other Asian films because 1) among Asian films, the market segmentation is already determined by ethnic communities, 2) Korean films have not yet reached the point of competing against Chinese or Japanese films. These respondents felt safer to group all the Asian films as one category that competes with other two categories.

1st & 2nd Direct Competitors These two groups of foreign-language fare have performed poorly in the U.S. market. In 2001, foreign-language fare accounted for only 0.4 per cent of the US box office.¹⁴ When compared with films from other European countries, a British film is estimated to take around 10 times more. The usual problems of consumer antipathy towards dubbing and subtitling are an obstacle to foreign-language success. One exception was *Crouching Tiger, Hidden Dragon*, a Taiwanese film released by Sony Classics in 2000, which broke box office records reaching \$128 million and beating the previous record-holding gross of \$57 million taken by a European film *Life is Beautiful* in 1998. *Hero*, of which the release dates overlapped with *Tae Guk Gi* in 2004, succeeded in reaching \$53 million in theatres. Overall, in terms of theatrical releases, the competing films categorized in the 1st and 2nd levels are still struggling but their performances have been growing, with some exceptional break-through titles.

More detailed information regarding the market size of foreign-language films can be observed through their DVD performances (see Table 4.11 & 4.12). The total number of foreign films on DVD has been increased despite some fluctuations in terms of percentage of all DVD releases. Chinese and French films on DVD were dominant, taking 38% and 21% of all foreign DVD releases respectively, and Japanese DVDs were the 3rd most common releases in 2001.

¹⁴ Screen Digest, March 2001

Table 4.11 Foreign Films on DVD (1997 – 2001)

	1997	1998	1999	2000	2001*	Combined
# of DVD releases	11	117	188	234	156	706
% of all DVD releases	2.1%	7.7%	6.9%	6.2%	6.9%	6.5%

*Results through June 22, 2001

Source: Advanstar Communications, Inc.

Table 4.12 Top 5 Foreign Languages on DVD (2001*)

Chinese	38%
French	21%
Japanese	8%
Italian	7%
German	6%
Other	20%
Total	100%

*Results through June 22, 2001

Source: Advanstar Communications, Inc

4.3.4 Case Study on *Tae Guk Gi*

Through a thorough case study on *Tae Guk Gi* which was screened in the U.S. from

September 3 to December 16, 2004 grossing box office of \$1,111, 061, we can achieve a more detailed and accurate understanding of the position of Korean films in the U.S. market.

The following analysis was drawn from interviews with Gary Hirsh, VP of Acquisition at Sony Pictures Entertainment, who acquired *Tae Guk Gi* and RJ Millard at IDP films who coordinated its distribution and marketing. In order to filter out a more objective evaluation of *Tae Guk Gi*'s performance in the market, a question of how to estimate the results of *Tae Guk Gi* was included in the online survey. Due to confidentiality issues, some critical information including detailed contents of the contract between KangJeGyu Film, the production company in Korea, and Sony Pictures Entertainment could not be disclosed.

4.3.4.1 Acquisition

Screening and Motives of Acquisition Sony Pictures Entertainment (SPE) saw the film through a screener sent by the production company prior to AFM and decided to purchase all rights to *Tae Guk Gi* because 1) the quality was excellent, 2) SPE wanted to have a broader range of films for different markets, 3) director Kang Je Kyu's name has achieved some recognizability from Korean-American communities in the U.S. since the release of *Shiri*.

Estimation of the Profitability On purchasing, SPE projected that *Tae Guk Gi* would earn \$1 million to \$2 million from its theatrical release. Benchmark - SPE looked at prior results of titles targeted at similar audiences or distributed in a similar fashion to forecast this box office figure.

4.3.4.2 Distribution

Strategy: Target Audiences and Positioning *Tae Guk Gi* was targeted to Korean and Korean-American communities in the U.S. and was hoped to spill over to their Asian friends and relatives. Cross-over to other art-house film fans was also anticipated. The main features to attract and benefit the target audiences were thought to be 1) for Koreans, cultural and historical experience of their origin, 2) for others, learning the history of a forgotten war, especially related to current issues with North Korea, 3) for all, the sharing of cathartic feelings through a human drama of two brothers who don't know why they should be in a war, linked to the situation with Iraqi war.

Distributor: Samuel Goldwyn – IDP Interestingly, Sony Classics, SPE's own specialty arm, did not distribute *Tae Guk Gi*. SPE commissioned this role to Samuel Goldwyn through IDP. Through this episode, an insightful understanding of the nature of the relation between a specialty arm and its parent studio could be obtained. When SPE decides on the acquisition of art-house titles¹⁵, it requires a totally different distribution from the normal SPE titles, so SPE approached Classics because they have

¹⁵ Once again, all foreign language films are 'art-house' to the U.S. audience

expertise in those independent or major theatres frequented by the main art-house audience and in such audience's texture. However, Sony Classics functions independently. Sometimes Sony Classics agrees to handle films, but sometimes it doesn't. It depends on their capability of distribution. For *Tae Guk Gi*, Sony Classics declined to handle this title.

They had too many titles already at that time, or they didn't want to do it... We cannot force Classics to distribute some titles.

- Gary Hirsh, VP of Acquisition, Sony Pictures Entertainment

So SPE went to its long-time partner Samuel Goldwyn and Samuel Goldwyn to its long-time partner IDP. Samuel Goldwyn and IDP co-handled *Shiri* back in 2002 which grossed \$98,452 in theatres. Samuel Goldwyn and IDP booked the theaters and collected the revenues for SPE. They also built up and negotiated (with SPE) the marketing and distribution plan according to SPE's instructions on the budget size and the materials to use.

Release Dates The acquisition of *Tae Guk Gi* was made in June 2004. The first factor that IDP considered in deciding the release dates was *Tae Guk Gi*'s video street day in Korea, which was September 27th. As the target audiences were Korean Americans, IDP was sure that the theatrical release should be started as early as possible before the local video hit the street. Given the high usage of the Internet and piracy in Korea, they thought that delivering the film later than the local street day would result in huge sacrifices for its U.S. theatrical gross.

Having a local video street day of September 27th, we worked backward and so needed to get everything done as fast as possible.

The date was initially set on September 17 then moved up to 10 and again 3, before the street day!

- RJ Millard, IDP Films

Theatres *Tae Guk Gi* was released on up to 34 screens at the same time, in 49 cities of 14 U.S. states, over 15 weeks from September 3 to December 16 of 2004. The release started with 29 screens in 25 cities where the target public, Korean Americans are clustered. The box office from the first week totaled \$436,640 and *Tae Guk Gi* was ranked as the 30th highest box office film among all the titles released that week. In terms of box office per theater, the most important figure to the distributors, the number was a solid \$15,057 which was the 4th highest box office per screen of the same week (see **Exhibit 1**).

When SPE saw this successful opening weekend result, SPE expanded into other cities and screens. Up to week 4, the total number of screens was increased from 29 to 34 as the per theatre box office hold over \$3,000. After that, with a lower screen average, the total number of screens for *Tae Guk Gi* went down, but new venues were participating in showing *Tae Guk Gi* up until week 12 (see **Exhibit 2**). For an example, Imagine Asia Theatre in New York showed the film for 3 weeks and was ranked as 8th in terms of screen average during those 3 weeks, but considering the other films they were

committed to show and the decreasing box office figures, they decided to curtain up for *Tae Guk Gi*.¹⁶

SPE as well as IDP stated that when they decide on a wide-release or platform, they really need to think about the ‘per theatre number’ because the oligopolistic theatre chains that have the power to make decisions for go or no-go for a film are looking at that number. If they make an unwise decision to ‘go wide’ for a certain film, the numbers tend to be weaker than for a platform release, therefore there is less motivation for theatres to hold the film for the next week.

The most important number is the ‘opening weekend box office \$ per screen’. If it fails, the theaters will shorten the dates or even break up the deals. All the contracts are oral over the phone. Even with the good relationships with the theatres, all power is on the theaters.

There is no fixed threshold per theater statistics to expand or to reduce the number of screens. It is totally variable. We show the opening weekend box office compared to the community population and project the local box office to persuade local exhibitors.

Week by week, we search for the right theaters near target communities.

- RJ Millard, IDP Films

They also said that they had a hard time finding the cities where Korean Americans are concentrated. They could do a fine job thanks to their long-term relationship with local theatres in the U.S. who had an accurate knowledge of their audience texture, but still, some theatres such as one theatre in Seattle fell short of their expectations because the Korean Americans found it difficult and inconvenient to drive out to the downtown area where the theatre was located once they came back home after work.

DVD Distribution SPE’s own marketing department is handling DVD distribution for *Tae Guk Gi*. After the Korean Film Council decided to submit *Tae Guk Gi* as the Korean candidate for the Best Foreign Language Film Oscar, SPE pulled the street date to February from its originally planned January to benefit the most from the potential nomination.

SPE’s goal is to sell 300,000 units. To project the sales volume, the marketing team sits down with sales team and sees 1) recent and comparable DVD products shipped, 2) competitors’ sales results¹⁷, 3) the quality of the film – whether it is to be a ‘must-own’ or ‘must-watch’. The former will be counted as sell-throughs while the latter may be counted as sales for rentals.

SPE had set the ‘solicitation period’ for *Tae Guk Gi* to be December when they would send screeners or packaged samples to retailers and do advertising at magazines such as *Video Store*, etc. It could be direct sale to the main retailers and through third-party to smaller accounts. SPE budgeted \$100,000 for the *Tae Guk Gi* DVD release and said it

¹⁶ David Chu, VP of Acquisition, Imagine Asia

¹⁷ According to Tracey Garvin, VP of Marketing at SPE, in contrast to theatrical box office results, the DVD industry is secret one. The only way to get the sales results is to subscribe to *Videoscan* which collects data at POS (point of sales).

would go up if the Academy nomination realizes because in that case, the buzz around the film will rise in January and that would make huge difference in pricing.

4.3.4.3 Marketing

Marketing Budgeting The size of the marketing budget depends on the projected box office. SPE gave budgetary numbers to IDP and IDP took it to divide up across media windows.

After release, the weekly marketing budget size can vary from the planned one. For *Tae Guk Gi*, after the first weekend's successful results, SPE decided to do more advertising and press releases. According to IDP, they conducted advertising almost every day (Monday and Thursday during weekdays & weekends).

Marketing Programs IDP divided all marketing activities into two categories: Advertising for Awareness and Street team for Willingness. The main format of marketing activities for *Tae Guk Gi* was the combination of the following mix:

1) Advertising

IDP overly focused on Korean community channels.

- TV(all Korean related channels)
- Radio (*Radio Seoul*)
- Online (Korean sites)
- Magazine and Newspapers (*Koram*, other Korean journals)

Table 4.13 The Percentage of *Tae Guk Gi* Advertising by Media

Media	%
Newspaper	33%
TV	12%
Radio	8%
Internet	2%
Magazine	1%

* Doesn't total 100% due to other miscellaneous costs.

Source: IDP

2) Street Team (Direct Marketing)

SPE and IDP used materials provided by KangJeKyu Film so they were not that different from those used in Korea but for posters these U.S. distributors changed the background's definition higher because in the U.S. the two stars are not well known instead needed to highlight that this movie is an epic (see **Exhibit 3**).

- Flyers and posters in Korean towns
- Post cards in restaurants with maps to the theatres. This was the key feature consulted by Steve Lee¹⁸ because Korean Americans were not frequently visiting

¹⁸ Consultant at 3M, an LA based PR company specialized in Korean communities.

- smaller theatres.
- No mailings

3) *Publicity and PR*

- Almost all major newspapers covered the film with good reviews and quotes (see **Exhibit 4**). Some negative reviews said the film was ‘too violent’.
- The focus of those articles were its success in the Korean market and director Kang Je Gyu’s coming to the U.S. IDP believed the director’s visit was critical for *Tae Guk Gi* as it would greatly help to get coverage, and it was, especially to boost the opening week box office numbers.

A film lives as long as it is successful. That’s why the first weekend is important. If it fails, it can be finished within 7 days. That’s why we brought Kang Je Gyu for the first weekend opening to LA. The theatres were fully booked 2 weeks before the showing.

- RJ Millard, IDP Films

4.3.4.4 Evaluation & Takeaways

Our eleven experts were asked to choose among ‘Big Success’, ‘Moderate Success’ and ‘So-So’ regarding how successfully *Tae Guk Gi* performed, based on their own perspectives. Two gave ‘Big Success’ credit and eight said ‘Moderate’ while one respondent thought it was ‘So-So’. The distributors who were involved in *Tae Guk Gi* release all evaluated it was a moderate success. Therefore, the overall evaluation regarding *Tae Guk Gi*’s theatrical performance can be safely put as a moderate success. Which and which discounted the level of success of *Tae Guk Gi*? The following analysis spotlights some pieces of the puzzle.

Box Office The box office figure of \$1,111,061 itself should be estimated as a sure ‘success’. Respondents were saying that any foreign language film to make over a million dollars in the U.S. box office should be considered as a success. Given that the film was not heavily marketed to mainstream audiences and was over two hours in length, breaking the \$1 million mark is a successful result. Although the details cannot be analyzed due to issues of confidentiality, based on Sony’s initial projection of \$1 million to \$2 million, *Tae Guk Gi* is assumed with a certainty to have provided healthy returns for the distributor. These distributors were even referring to the ‘break-even’ for an art-house film to be a success in the U.S.

Target Audience Attraction *Tae Guk Gi* did hit the Korean-American audience, the distributors’ main target audience, but failed to cross-over to the larger pool of art-house audiences. Therefore, moderate.

According to IDP, from some sampled theaters in Los Angeles and New York, 90% to 95% of the audiences for *Tae Guk Gi* were Koreans and Korean Americans. The following statement from Gary Hirsh at SPE also proves that the target audience was responsive but the film did not reach out to the larger pool.

We are collecting results by theaters, and they show that those areas where targeted population reside, for example, LA Fairfax, \$2,500 per theatre and NY New Jersey, \$5,700, are doing good business compared to those not particularly Korean area such as San Diego downtown, which shows the weakest result.

- Gary Hirsh, VP of Acquisition, Sony Pictures Entertainment

Marketing Effectiveness SPE and IDP built up a solid and smart strategy and executed aligned marketing activities targeting the right audience and the result was successful. However, as RJ at IDP who conducted the marketing for *Tae Guk Gi* described above in the ‘Distribution – Release Dates’ section, he had only 3 months to get everything done from the acquisition in June to the release in September. Some respondents also noted this. They said that if advanced marketing had been done, the result could have been better.

Milestone for the Future

The achievement of over \$1 million in the U.S. market firmly proves that there is an audience out there in the U.S. market. All the respondents agreed that getting audience therefore distributors for Korean films will get easier with the success of *Tae Guk Gi*. One important fact that needs to be noted together is another Korean success of *Spring Summer Fall Winterand Spring*, which was released in the same year and grossed \$2,380,788 in theatres. The strategy and method for the latter was different from *Tae Guk Gi* and will be dealt with shortly below. The point here is that with the success of these two different kinds of films, Korean cinema proved its marketability in the U.S. market. The respondents, who are mostly on the specialty film side, did not forget to say that *Tae Guk Gi*'s success also indicates the viability of niche-releasing.

Main Success Drivers

Respondents shared what they believe to be the most important contributors that attracted substantial audience body to the screens that showed *Tae Guk Gi*.

- 1) The film itself – high quality
- 2) Cultural importance – Korean Americans' duty to see.
For example, young family members saw it and told their family to see it and go to the theatre together again. That was a significant part of the success.
- 3) Director's name
- 4) Good publicity from the press
- 5) Distribution strategy – use of mainstream theaters as well as art-house theatres
- 6) Focused marketing and grassroots outreach to Korean American audiences

Here, we can see that factors number 1 to 4 were disseminated from the film itself and factors number 4 to 6 were achieved from distributor side. Good publicity from the press is affected from both groups of factors. To say that a film's success depends on the mix of the quality of the film and the strategic administration of marketing sounds banal but *Tae Guk Gi* case proved that this norm stands as truth in the U.S. market and which details in both ingredients worked out in the U.S. market.

Spring Summer Fall Winter ... and Spring vs. Tae Guk Gi

Sony Classics acquired and distributed *Spring Summer Fall Winter...and Spring* (*Spring* hereafter) for 28 weeks from April 2nd to October 8th of 2004 and the film grossed \$2,380,788 in box office (see **Exhibit 5**).

The strategy and rolling-out methodology for marketing was totally different from *Tae Guk Gi* and all the distributors and exhibitors who responded to the interview and the survey saw the two films as totally different films. While *Tae Guk Gi* is a film that should aim for the Korean American community and be commercially marketed to that audience, *Spring* is a film that should aim at art-house enthusiasts and be marketed as such, without considering nationality for marketing. While *Tae Guk Gi*'s audiences were mostly Koreans and Korean Americans, it is assumed by the distributors that among *Spring*'s audiences probably only 30% - 50% would have been Koreans.

When asked about how successful was the performance of *Spring*, the respondents gave higher rates of successfulness for *Spring*. They said that for a foreign language film, marketed exclusively to non-Korean audiences, over \$2 million box office is very good and actually the figure is higher than the majority of films released in the U.S., both foreign and domestic. One respondent wanted to stress the success by saying that critically and financially, *Spring* is probably one of the only films since *Chunhyang* that was highly regarded by the critics as well as profitable for distributor.

The main drivers for this success were described as the following:

- 1) The quality of the film
- 2) Exoticism that American audiences look for in Asian films
- 3) Very positive word of mouth among art-house goers
- 4) Very good reviews from the press
- 5) Marketing strategy by a distributor that knew very well how to promote the film.

Again, the quality of the film and the attractiveness of the content, combined with strategic marketing rolling-out drove the success of *Spring Summer Fall Winter ... and Spring*. However, as it was targeted to the non-Korean art-house audience, the word of mouth interested in exotic features and refined mise-en-scene seems to have been the most powerful contributor, different from the word of mouth out of the cultural and ethnical interest that performed the same role for *Tae Guk Gi*.

5 Opportunities and Issues

5.1 Analysis for Korean Films: Strengths, Weaknesses, Opportunities, Threats

5.1.1 Opportunities and Threats

Opportunities

- ▶ Specialty films' take in the market is growing. Heterogeneity in the American pop culture is growing to the benefit of non-main stream or specialty contents in theatres.
- ▶ The older age group who belongs to the specialty-goer segment is seeing more and more films in theatres.
- ▶ The Internet, cable and satellite TV, DVDs and home theaters are facilitating access to these new contents for the public. Especially, DVD's rapid household penetration is expanding the number of foreign-language imports.
- ▶ Studios are paying much more attention to DVD market according to the shift of audience interest from theatre to home-screening.
- ▶ Korean population is growing throughout major cities in US

Threats

- ▶ Total U.S. box office is declining. Americans are going less and less to movie theatres.
- ▶ To secure screens is getting even harder as the concentration of film releases within a clustered few weeks and stagnant growth of screen buildings make the competition more and more severe.
- ▶ Studios are spending mega sized budget to market their mega-budget films due to the intense competition to attract attention and the importance of the opening performance.
- ▶ Specialty films are competing with themselves for screens and media coverage. Also, DVD and broadband delivery would steal significant portion of the specialty audiences from theatres.
- ▶ Despite some improvements, all subtitled-films have been performing poorly in the market, taking less than 1 % market share in the U.S.

5.1.2 Strengths and Weaknesses

Strengths over other Asian Films

- ▶ Good story lines and strong genres: romantic, horror/suspicion, action/war-divided culture (North/South), etc. High quality is already a guarantee
- ▶ Increased buzz about Korean cinema on internet and in media. Festival credits and enormous popularity in Asia
- ▶ Directors such as Kang Je Kyu and Kim Ki Duk are building fan communities around.
- ▶ Audiences who like foreign films tend to place a premium on the unknown.
- ▶ Good looking casts

Weaknesses over other Asian Films

- ▶ Korean films are an unknown entity yet whereas Chinese/Japanese films have been around over a decade.
- ▶ No established stars yet. Chinese films have established star-directors and actors/actresses. Japan has its established Anime.
- ▶ Korean films are believed to be very violent by many. R rating is not good to attract people.
- ▶ Korean cinema is long and sometimes too sentimental.
- ▶ Weakness of the Korean film audiences in America in terms of population size and their unwillingness to pay to see Korean movies in theatres. Rentals from supermarkets.

Strengths over Other Foreign Language Films

- ▶ Built-in Asian American Audience
- ▶ Matching the audience's interest in discovering new and hot cinema

Weaknesses over Other Foreign Language Films

- ▶ Awareness and longevity privilege European cinema to Asian films. Art house fans are all familiar with them over 50 years.
- ▶ Illegal downloading and high penetration of Internet make U.S. distributors fear of being stolen, resulting in hasty releases.

Strengths over Other Non-Subtitled Specialty Films

- ▶ Exotic experience
- ▶ Understanding of different cultures and histories

Weaknesses over Other Non-Subtitled Specialty Films

- ▶ Subtitles
- ▶ Cultural discounts

5.2 Issues

Along with the SWOT (Strength, Weakness, Opportunity, Threat) analysis presented above, Korean international sales people, the Korean Film Council and American distributors must consider the following basic issues with respect to Korean films' U.S. market development:

- ▶ What should be Korean cinema's long-term and short-term strategy to expand its audience pool in the U.S.?
- ▶ Which distribution channels should be considered to be developed? Should the present focus on theatrical release be continued? Or should other channels be explored and spotlighted?
- ▶ Which productions and marketing activities and governmental support should be developed to strengthen the strengths and weaken the weaknesses over the competitors?

6 Objectives and Strategy

6.1 Objectives

6.1.1 Box Office Objective

Here is an attempt to project Korean films' box office performance from 2005 to 2010. It is needless to mention that the 'nobody knows' nature of the film business holds as ever and the short historical data of Korean films in the U.S. does not provide any good base for assumption. However, to have a numerical objective can be meaningful in various ways, for example, to rein in and lead the way ahead. Keep in mind that this attempt is not to serve for distributors or sales people in decision-making on the price of a Korean film but to hold the growing pace of Korean films in the U.S. by throwing 'the most moderate scenario'. The best way to look at this projection is focusing on the total Korean films' sales because of the way the model built in; as the year-to-year growth rates for Korean films' box office have widely fluctuated in its short history, therefore could not be averaged and used, the average sales per film and the number of releases were set to reflect the historical trends of the U.S. market. As a result, the number of releases seems to be overestimated whereas the average sales per film seems underestimated. Therefore, the total box office, being calculated by multiplying these two factors, will reflect the potential numbers.

With the modest assumptions below, Korean films would take 0.06% of the total U.S. box office in 2010 grossing \$6.6 million dollars in total and 'at the worst'. According to many of the respondents, the next few films from Korea scheduled to be released in the U.S. shortly are expected to gross \$2 million to \$3 million per film with a certainty. If we take their opinions in account, these estimated numbers should be considered the least aggressively targeted numbers.

**Table 6.1 A Way of Looking at the Future:
A Projection of Korean Films' Box Office (2005-2010)**

	2004 A	2005 E	2006 E	2007 E	2008 E	2009 E
<i>Gross Ticket Sales (million)</i>	\$ 9,622	\$ 9,757	\$ 9,893	\$ 10,032	\$ 10,172	\$ 10,314
<i>Korean Films Sales (million)</i>	\$ 3.549	\$ 1.661	\$ 2.189	\$ 2.886	\$ 3.804	\$ 5.015
<i>Korean Films' Market Share</i>	0.04%	0.02%	0.02%	0.03%	0.04%	0.05%
<i>Year-to-Year Growth Rate</i>	5443.57%	-53.21%	31.82%	31.82%	31.82%	31.82%
<i># of Korean Films</i>	3	4	5	7	9	11
<i>Average Sales per Film</i>	\$ 0.420	\$ 0.426	\$ 0.432	\$ 0.438	\$ 0.444	\$ 0.450

Assumptions:

* U.S. Gross Ticket Sales' year-to-year growth rate is 1.4%, which is the growth rate of U.S. Gross Ticket Sales from 2003 to 2004.

** Korean Films' Sales were calculated by # of Korean Films*Average Sales per Film.

*** # of Korean Films were projected to grow by 30% year by year.

**** Average Sales per Film were projected to grow by 1.4%, which is the growth rate of U.S. Gross Ticket Sales from 2003 to 2004. The starting point of \$0.42 million was calculated by taking the average of 12 Korean films released from 2000 to 2004.

6.1.2 Marketing Objective

The awareness of Korean films should be enhanced to secure the significant size of built-in audiences for Korean films. This should be achieved by branding Korean cinema as a whole but at the same time marketing diverse and differentiated films to the U.S. audience whose heterogeneity in seeking for filmed entertainment is rapidly increasing.

6.2 Strategy

The year 2004 is a milestone year for Korean films in the U.S. in terms of the total box office amount passing the \$3 million mark, taking 0.04% of the total U.S. market share. However, this year's results shed another and maybe more meaningful takeaway on which to build a long-term strategy for Korean films in the U.S. market: Korean films should be taken into two different categories according to the target audience group. This strategy is proved to be successful through the two cases of *Tae Guk Gi* and *Spring Summer Fall Winter ... and Spring*: Therefore, there are Commercial & Asian-focus Korean Films on one hand and Art-house & Niche Oriented Korean Films on the other.

Korean films will aim different short-run and long-run target audiences according to the two different categories and the positioning strategies will also vary along with the categories.

6.2.1 Target Market

Korean films have two target markets in the U.S. and each of these two target markets can be divided into short-run and long-run target audiences. Therefore, Korean films have 4 target markets as shown in Table 6.2.

Table 6.2 Target Audience Matrix for Korean Films

	Short-run	Long-run
Commercial & Asian-Focused Films	Korean-American Asian Communities	Non-Asian fans of Asian Films General Audience
Art-house & Niche Oriented Films	Art-house enthusiasts Niche audience seeking for hot and new cinema	All Specialty Goers

Short-run Target Audiences As for Commercial & Asian-Focused Korean Films, Korean American and other Asian communities are the targets. As proven from *Tae Guk Gi* case, they are responsive to commercial Korean film contents. For Art-house & Niche Oriented Korean Films, those enthusiastic art-house goers and niche audience that is eagerly after hot and new cinema are the targets. As proven from *Spring Summer Fall Winter...and Spring*, these target audiences started to accumulated some awareness of Korean art-house cinema.

Long-run Target Audiences Commercial & Asian-Focused Korean Films should aim to enlarge the boundary through non-Asian fans of Asian films and alternately the general U.S. public who seeks entertainment from a well-made commercial film. *Crouching Tiger Hidden Dragon* proved the feasibility of this target for a subtitled film. For Art-house & Niche Oriented Korean Films, all specialty goers who want to learn and gain other perspectives to see the world from movies of other cultural and historical backgrounds are the alternate target.

6.2.2 Positioning

To these target audiences, Korean cinema should position itself as follows spotlighting its differentiated benefits from those that these target audiences can achieve from other competing films:

Commercial and Asian – Focused Korean Films will benefit those Korean American and Asian communities and non-Asian Asian film fans and alternately all U.S. film audience by delivering 1) fun and/or moving stories in action/romance/horror genres, 2) well-made high quality films, 3) fine looking stars and casts popular in Asia, and 4) contemporary culture or/and historical experience of Korea and Asia.

Art-house & Niche Oriented Korean Films will benefit those art-house enthusiasts who starve for hot and new cinema and alternately all specialty goers by delivering 1) very well made high quality, 2)inspiring and unusual stories, 3) different cultural tastes, 4) beautiful sceneries, 5) historical and cultural knowledge.

7 Action Programs

So far, we built-up a strategy to market Korean films in the U.S. market through the current U.S. film market situation analysis focusing on the specialty film market and recent cases of Korean releases through the SWOT analysis. We also discerned some important issues that must be tackled.

Now we move on to the following action programs that fit into the guidelines of strategic positioning described above and harmonize within themselves to make the synergetic effects and each of these programs will strive to strengthen the strengths and weaken the weaknesses of Korean films: distribution, communication, product and branding.

While these programs are mainly under control of the industrial management, governmental support should be executed along with these programs. That will be discussed in the following chapter.

7.1 Distribution

7.1.1 Theatrical Release

For both categories of Korean films, the theatrical release functions as an important window to meet target audiences. This window is a viable one for Korean films because although the overall U.S. audiences are visiting theaters less and less, the Korean American and Asian population is growing and the box office market share of specialty

films are increasing. There are some aspects that should be applied to both categories and some that need to be considered separately.

Release Date

Pre-Marketing and Solicitation Period Guaranteed A sufficient pre-marketing period to build-up and roll-out marketing activities should be secured before the release date. Both for Commercial and Asian-Focused films and Art-house and Niche Oriented films, the marketing is not mass marketing but through grassroots and word-of mouth marketing which takes time to motivate the target audiences to actually go to the theatres. For *Tae Guk Gi* case, the two and half month pre-marketing solicitation period was not enough, as the distributors indicated.

Local Video Street Day & Worldwide Release As the pre-marketing and solicitation period is shortened if the local video street day in Korea is near to the acquisition date of the film, Korean sales companies should be better-off by selling the film as early as possible to U.S. distributors while coordinating the video street day in Korea to be later than the necessary pre-marketing period recommended by the U.S. distributors. Bollywood's distribution can be a good example. They do worldwide release for big titles.

Video Releases to the Korean audience in the U.S. Although these films on video that are typically rented through Korean supermarkets are not subtitled, thus separate those target theatre audiences from the renting customers, this practice is viewed as an undesirable one that may very well cannibalize the box office revenue. Taking into consideration that rapidly improving home theatre equipment is already reducing the total U.S. box office volume and those Commercial and Asian-Focused films are often taken as a family event films that the young generation would invite their parents to see the films in theatre together, as we saw in *Tae Guk Gi* case, Korean sales companies should be very careful to select which titles to be distributed this channel and the timing and whether the profit from selling the titles through this channel will offset the loss in the theatrical release.

Distribution Pattern, Box office per Screen and Theatre Choice

Platform Distribution is Good Except for some exceptional Commercial and Asian-focused films that will be delivered several years from now, the majority of Korean films will be distributed through the platform pattern compared to the U.S. mainstream distribution. This is advantageous for Korean films as described in *Tae Guk Gi* case, the **box office per screen** is the most important, if not only, factor that theatre owners would look at to decide the lifetime of the film.

However, Commercial & Asian-Focused Korean films will start with a larger number of screens to cover all the Korean American and Asian communities from the first week, which was 29 screens for *Tae Guk Gi*, and more shortly run than Art-house and Niche Oriented films will do. *Spring Summer Fall Winter ... and Spring* opened with 6 screens

and long ran over 28 weeks as long as the box office per screen was over \$1,000, sometimes with less than 10 theatres and other times with over 70 theatres.

The Right Theatres For Commercial & Asian-Focused Korean films, thanks to SPE and IDP's successful experiment, the first draft of the list of the candidate theatres for these films is saved. However, as these distributors mentioned, there were other factors that affected the performance of the theatres even though their locations were near where Korean American communities. Also, they mentioned that there should be unexploited theatres located near where the target audiences are crowded but due to the inconvenience of gathering information about this population, they ended up depending only on the expertise of the theatre managers with whom they have long-term relationships.

For Art-house & Niche oriented Korean films, the theatres that the target audiences frequent are already established and known. As shown in above specialty film market analysis, the specialty goers are well aware of where the films are showing and take more walk or drive to go to those theatres. The good news is the recent movement of main theatres: they are allocating more screens for art-house and foreign language films in their multiplexes or even building new screens exclusively for these genres. The new theaters will cater more to mainstream audiences, with features such as high-tech projection and sound systems and various food and beverage options.¹⁹

U.S. Distributors and Contracts

The Right Distributors Korean sales companies should keep open their eyes to see who would be the right distributors for their films in hand. As is well known, there have been some cases in which a few well-known distributors acquired all rights for Korean films but those films have not yet been released in any form. The most important criterion to decide which distributor to partner with should be how much the distributor likes and understands the film and therefore how well the distributor knows the target audiences and be devoted to market the film to them. Also, some specialty distributors have already started committing themselves to establish a longer-term relationship with a few prominent Korean directors. These distributors will be good partners to build audiences around the directors for longer-term and mutual good.

Step-Deals and Gross Revenue Share

During the interview, a respondent

shared his opinion as follows:

Korean sales companies should start thinking about changing their attitude so far of throwing all-rights at once. If they sold partial rights first and waited for other windows after the theatrical release, they could have gotten a lot more. Also, Korean sales companies should ask for a pie of the gross revenue, not the net.

¹⁹ Crain Communications, March 13, 2000

As attorney-turned-film-buff, this interviewee added that he wanted to share this opinion because he believes that fair deals are the golden bridge for long-term business relationships.

7.1.2 DVD

DVD is IMPORTANT

As described in section 4.1 *U.S. Film Market*, DVDs are becoming more and more important sources for film revenues and especially more so for the specialty market. Potential audiences are buying or renting foreign movies through DVDs instead of seeing them in the theatre. Is this a bad phenomenon for Korean films? Not necessarily.

DTDs?

As already analyzed, the theatrical market is overly competitive and costly. With the shift in film fans' preferences in viewing film contents, U.S. distributors as well as Korean sales companies can benefit more through direct-to-DVD releases.

Conventionally, theatrical result determined its DVD price as we saw in *Tae Guk Gi* case, but recently some studios are releasing certain titles directly through DVDs as the costs for these DTDs are less than the theatrical releases. Of course, some titles such as *Tae Guk Gi* will extract the most profit through traditional cascading distribution from theatre to other auxiliary channels but some other titles should not stick to the theater-first-and-only scheme at their own expenses.

When asked about their opinions on Korean films' distribution through the direct-to-DVD strategy, six out of the eleven respondents said they believe that is a fine strategy, especially to enhance the general awareness of Korean films and penetrate into the U.S. market with much smaller but diverse films from Korea, given that the number of films that can be released through U.S. theatres will be strictly limited.

One insightful comment is worthy of note to expand the DVD market for specialty films.

The only problem is people's perception that a film which goes directly through DVD without theatrical release is a bad movie. If this perception is overcome, then DVD market growth will help the specialty market.

- Roger Garcia, Producer and Programmer at San Francisco International Film Festival

New and Powerful DVD Distributors

With more and more savvy and powerful DVD distributors such as Netflix, this phenomenon has been accelerated. As we saw in 4.2 *U.S. Specialty Market*, these customers are more likely to seek information themselves and explore the unknown spheres. Netflix adopted the Amazon's loved-by-members features that recommend other potential books the logged-in member would like to read based on the data of the member's historical purchases. Netflix' recommendation hit-ratio, or the satisfaction level of the members who rented the films they have never heard about but recommended by Netflix' matrix, is known to be high.

Recently, the traditional DVD and VHS renters such as Blockbuster also jumped in the online arena, proving the market size of DVD rentals will grow further.

7.1.3 Cable TVs

With growing home entertainment consumption, cable channels should be examined as a viable window for Korean films' distribution. From below, potential partner companies for Korean films among U.S. cablers could be found.

Cables' Interests in Diversity

Cable channels' growth also reflects the increasing heterogeneity in content consumers. For a recent example, basic cable scored an unprecedented victory over the broadcast networks in November 2003 by grabbing a greater primetime audience share during the month. The average share of ad-supported cable networks totaled 49.3 for the month, compared with 48.1 for the seven broadcast networks. Cable was up 8.6% over November 2002, while broadcast fell 3.8%.²⁰

Among these channels, more and more channels are becoming more aggressive in financing and producing specialty films. The main pay or premium cable channels for specialty and foreign language films are Sundance Channel, Independent Film Channel and Startz Cinema with 16 million, 24 million and 6 million subscribers respectively.²¹ In 2004, HBO, Discovery Networks and PBS joined in this indie sphere.²²

Dedicated to Asian Americans

Of course, these are all potential windows for Korean films but in 2004, a national television network committed to broadcasting Asian contents was launched. ImaginAsian TV broadcasts music videos, soap-operas and films from Korea, India, Vietnam, China, the Philippines, Japan, and dozens of other countries to 50 million households through Comcast and Time Warner among others. ImaginAsian TV has been rapidly growing by being a basic (no premium) digital cable and a unique programming dedicated to Asian American communities. The cable's growth proves again the potential market power of growing population of Asian communities.

7.1.4 Remakes

The U.S. remakes of Korean films seem very controversial among U.S. distributors and exhibitors as well as Korean sales companies. Some hate the idea while some give a big nod about it.

Remake strategy will mostly, if not exclusively, be applicable to Commercial & Asian-focused Korean films. As described in section 4.3.2 *The Distributors of Korean Films in*

²⁰ *DPI Communications*, December 8, 2003

²¹ *Variety*, September 9, 2002

²² *Daily Variety*, September 8, 2004

the U.S., from 2000 to 2003, only those films that fall in to this commercial category sold remakes right to U.S. majors. The results and long-term effects remain to be seen. The following points are from the answers to an open-ended survey question from our eleven respondents.

Remakes are not recommendable because

- 1) Remakes should be from generic stories therefore the uniqueness will not be able to be transferred to an English version.
- 2) Very few people will know that the source is a Korean filmmaker.

Remakes are good because

- 1) Additional sales are made and the costs are offset for Korean companies.
- 2) Can be a great way of driving interest in Asian films.
- 3) Can be a potential huge success especially for horror and romantic comedies, the strong genres from Korea.

7.2 Communications

To recap, earlier in section 4.3.1.3, our respondents gave the following ratings over diverse communication channels based on how effective they believe each of the channels for Korean films' delivery to the U.S. market:

- 1) Word of Mouth 4.67
- 1) Critics' Reviews 4.67
- 3) Newspaper Advertising 3.4
- 4) Online Advertising 2.8
- 5) Magazine Advertising 2.2

These can be categorized into 1) Direct marketing – Word of Mouth, 2) Publicity and PR – Critics' Reviews and 3) Advertising – Newspaper, Online, Magazine, in order of the effectiveness.

7.2.1 Advertising

As shown in *Tae Guk Gi* case, advertising through newspaper, TV, radio, Internet and magazine takes more than 50% of the total marketing budget. As stressed several times above, to maximize the opening weekend box office, heavy advertising through and across all the media is a necessity.

Advertising has the following advantages over other communication formats and these advantages need to be fully exploited when designing any advertising²³:

- 1) It offers a fair amount of control over what can be said to the potential audiences (advantage over PR).
- 2) It reaches a large number of audiences efficiently and quickly (advantage over direct marketing).
- 3) It is flexible in that many different kinds of images and symbols can be presented through various media (advantage over all the other formats).

To maximize the advantage #1, we could take an example of *Hero* advertising where the distributor inserted 'Quentin Tarantino Presents Hero' in its advertising. This practice blurred the barriers of being a subtitled film by getting closer to the audience. Also when a negative review attacks, a film can defend itself through counter-punching advertising. Regarding the advantage #2, the considerate selection of media is needed. For Commercial & Asian-Focused Films, the Korean and Asian community channels such as Korean newspaper, TV channels, online sites and radio stations should be focused. For Art-house & Niche Oriented Films, the newspapers and magazines that specialty goers look up to hunt the next new films should be focused.

The advantage #3 can leverage Korean films' strength in creative content and visual elements. Distributors should focus on delivering the strategic positioning messages: for Commercial and Asian-Focused films, 1) fun or catharsis, 2) high quality, 3) good looking stars, 4) cultural/historical excitement and for Art-house & Niche Oriented films, 1) high quality, 2) inspiration and uniqueness, 3) new and different tastes, 4) beauty, 5) knowledge.

7.2.3 Direct Marketing

Direct marketing through word-of-mouth and grass-roots marketing was counted as the most important communication channel for Korean films. These direct marketing activities all aim to solicit immediate and short-term responses from the target audiences. To solicit positive word-of-mouth, actually, other than content power, the marketer/distributor could only perform assistant roles through spotlighting the good content and facilitating the circulation of word-or mouth. Online websites such as Yahoo! Movie and Netflix should have priority when distributors facilitate and observe buzz. Grass-roots marketing through street teams using very refined designing and locating of postcards and flyers is a must for Korean films. Both for Commercial & Asian-Focused and Art-house & Niche Oriented, this tactic will greatly enhance the actualization of the potential target audiences' decision on movie-going by directly presenting the benefits of seeing the film and offering assistant tools at their convenience, near the release date. In terms of grass-roots media design, in-depth understanding of the target audiences is critical. For examples, *Untold Scandal* was communicated as an overly sexual film that

²³ Main concepts can be found in *Marketing Management*, Russel Winer

got a resistant reaction from Korean American communities, *Shiri* should have launched different posters as the Korean American community would not like the image of a woman holding a gun.

Affiliation with Asian communities in the area can boost its effectiveness.

Other direct marketing activities that are used in other industries and can be applied to Korean films include mailings. For both categories of Korean films, the target audiences' usage rate of Internet and e-mail should be higher; Koreans are well-known for Internet frontiers and specialty-goers are characterized as highly educated and professional.

7.2.4 Sales Promotion

Given that a discount on movie tickets by title other than martinee and student discounts is generally not possible, sales promotion tactics are rare in film promotion. However, partnership with Korean stores such as restaurants, bookstores, etc. through, say, a 10% discount, to offer more cultural experience to the audience can work. For Art-house & Niche Oriented films, the potential partners' pool is even larger. It is well known that a popular art-house theatre is typically surrounded by such stores as Starbucks, Pottery Barn and Joe Boxer, etc. that are popular with the same target customers, the art-house enthusiasts.

7.2.5 Publicity/PR

Critics' reviews were counted as important success drivers for both *Tae Guk Gi* and *Spring Summer Fall Winter... and Spring*. The same as for word-of-mouth, the quality of the film rules out how positive coverage it receives from the critics but marketers and distributors can certainly assist by providing timely and well-organized and presented information and screening of the film.

Events where star directors and actors present themselves will effectively increase the amount of coverage from the media. Korean directors and actors must cooperate with U.S. distributors when they are invited to relevant events before the release dates.

Information regarding the film's popularity in Korean and Asian markets should be offered to the press as a news element as it will work efficiently as a reference that either Korean Americans or specialty goers will be confident or at least be curious about to check on.

7.3 Product

Branding Korean films have not yet found a built in audience in the U.S. market. With the successful distributions of two Korean films in 2004, Korean films are at the very point of getting started. Therefore, this is the best, if not only, time to think about building brand equity around Korean films.

We should be very careful when we think about branding Korean films. It should be about individual films or directors more than Korean cinema in general. In other words,

we cannot create or position a point of view representing Korean cinema but present the various Korean films and talents in more approachable and effective ways.

Brand is a set of assets linked to a brand's name and symbol that adds to the value provided by a product of service that is offered to the customers. These assets generally include 1) brand loyalty, 2) brand awareness, 3) perceived quality, 4) brand associations. Brand loyalty to Korean films will engender the target audiences to repeat seeing Korean films and spreading good word of mouth. Brand awareness of Korean films will give the target audiences a feeling of confidence when they choose to see a Korean film.

Perceived quality of Korean films will add an aura of quality to each individual Korean film. Brand associations such as emotional associations will give a brand personality for Korean films that represent and explain Korean cinema when needed for some occasions. To build a strong brand, Korean sales companies, American distributors and the Korean Film Council should all cooperate to 1) create a brand identity through development of differentiated value proposition (recap section 6.2 *Strategy*) and effective roll-outs of communications (recap section 7.2 *Communications*), 2) track the equity through sharing information and continuous networking, 3) invest in the brand through requesting and allocating KOFIC's financial and intellectual resources.

More detailed discussion will be followed in chapter 8.

Strengthen the Strengths in Production Features

The following strengths related to the production features should continue to be maintained and developed.

For Commercial & Asian-Focused Korean films, 1) the guaranteed quality of strong genres such as romance, horror and action, 2) good looking casts and use of popular stars, 3) cultural and historical ingredients were counted as strengths.

For Art-house & Niche Oriented Korean films, 1) high quality, 2) new and unusual stories and cultural tastes, 3) less verbal more visual effects were counted as strengths.

Weaken the Weaknesses in Production Features

The following weaknesses related to production features should be avoided and replaced.

For both categories, 1) violent images and stories, 2) length of running time, 3) obscurity, 4) poor quality of subtitles, 5) sentimentality were counted as problematic weaknesses.

8 KOFIC's support through Global Promoting Outpost

Before opening up this chapter, I would like to stress the following point:

KOFIC should ask regularly and as frequently as possible whether Korean sales companies and U.S. distributors have any particular needs that arose regarding Korean films' promotion in the U.S.

On the other hand, Korean sales companies as well as U.S. distributors should communicate with KOFIC whenever they have some needs that can be filled by KOFIC regarding all the action programs described above and even for any suggestion of necessary strategic shifts.

This seems to be trivial, but throughout the conducted research, collecting opinions from U.S. distributors who voluntarily shared a significant amount of insight and information, this was one of the most important lessons that were obtained.

8.1 Survey Results

Respondents rated potential support formats of KOFIC selected from the pre-conducted interviews based on how effective the formats will be in helping them to market Korean films in the U.S.

As we could see from section 4.3.2.3, the U.S. distributors put the most importance and urgency on regularly served and reliable information that can be provided from KOFIC.

The total formats were ranked as follows (aggregate score over 5 next to each format):

- 1) A full production and contact list provided on an on-going basis 3.5
- 2) Screenings and Press Conferences with Selected Directors 3.25
- 3) Invitation to Important Film Festivals in Korea 3.25
- 4) Demographic Information on Korean Americans 3.2
- 5) Exit Polls 1.4

For the on-going basis information, other additional comments were made such as a good and clear bi-monthly newsletter on new releases with all the available contacts would be of great help and an online based real-time full list of production and knowledge sharing about films is desirable.

Relative to the screenings and press conferences, they stressed that 1) KOFIC should bring in directors who have the potential to appeal to the U.S. audience, 2) KOFIC should arrange meetings with indie distributors and press with those directors, 3) on each Korean Film Week or Special screening, only two or three films should be focused. Also, several respondents asked for more active support to coordinate director/star visits, more specialized festival-type screenings and more presence at films festival screenings,

For invitations to important film festivals in Korea, several respondents indicated that invitation of independent distributors and important press to the Pusan International Film Festival will enhance the understanding of Korean culture and films and build up more vivid networks.

For demographic information about Korean Americans, as cited in *Tae Guk Gi* case, a comprehensive list of where Koreans live was at first found very difficult. To find out which theatres are near to where they live, a more standardized method through KOFIC will be of a great help.

For exit polls on opening weekends, the respondents believe that exit polls specific for Korean films would be helpful when they do not have understanding of who the audiences would be. Even distributors such as specialty arms of Studios said those results will be helpful to reach out to target segments through more refined media advertising because the studios are doing exit polls only for blockbusters through agencies such as AC Neilson, not for specialty films because of budget constraints.

Other additional needs were stated as follows:

- 1) Availability of video/DVD screeners with English subtitles
- 2) P & A budget support
- 3) Consultants for communication mix who can give feedbacks on posters and other materials in details.

8.2 Piracy Issue

As stressed several times throughout this report, the local video street day for a Korean film has important influence on release dates and therefore the pre-marketing period. Several distributors said piracy is the most difficult part regarding Korean titles.

Piracy. Koreans are tech savvy. They find ways to download Korean titles and don't come to theatres. Tae Guk Gi was released in the U.S. before its Video release in Korea. As for Shiri, it took time to make the contract then it was released after the video release in the U.S.

This is the main reason of its failure.

- Gary Hirsh, VP of Acquisition, Sony Pictures Entertainment

Piracy! If the Korean government controls illegal distribution of downloading and copying, that will make a huge advantage for Korean titles to negotiate, especially DVD rights.

- Tracey Garvin, VP of Marketing, Sony Pictures Entertainment

This issue should engage a larger pool of government support and resources, but as Korean films are already being sacrificed from the same practices from other Asian countries, KOFIC should actively take initiatives in finding solutions and ways to

cooperate with international partners to protect the intellectual properties of filmed contents.

9 Appendix

Exhibit 1 Tae Guk Gi Weekly Box Office

Week	Opening Weekend	Weekdays BO	Weekend BO	Full Week BO	Audience*	% Change in BO	# of Screens	\$ per Screen	US Cum. BO	Ranking
1	9/3/2004	\$ 73,201	\$ 363,439	\$ 436,640	72,411		29	\$ 15,057	\$ 436,640	30
2	9/10/2004	\$ 66,640	\$ 168,589	\$ 235,229	39,010	-46%	31	\$ 7,588	\$ 671,869	32
3	9/17/2004	\$ 39,432	\$ 107,042	\$ 146,474	24,291	-38%	33	\$ 4,439	\$ 818,343	42
4	9/24/2004	\$ 30,023	\$ 82,651	\$ 112,674	18,686	-23%	34	\$ 3,314	\$ 931,017	45
5	10/1/2004	\$ 16,328	\$ 45,842	\$ 62,170	10,310	-45%	22	\$ 2,826	\$ 993,187	56
6	10/8/2004	\$ 9,140	\$ 23,047	\$ 32,187	5,338	-48%	15	\$ 2,146	\$ 1,025,374	67
7	10/15/2004	\$ 4,420	\$ 10,258	\$ 14,678	2,434	-54%	9	\$ 1,631	\$ 1,040,052	82
8	10/22/2004	\$ 367	\$ 816	\$ 1,183	196	-92%	2	\$ 592	\$ 1,041,235	134
9	10/29/2004	\$ 1,011	\$ 1,830	\$ 2,841	471	140%	3	\$ 947	\$ 1,044,076	115
10	11/5/2004	\$ 516	\$ 954	\$ 1,470	244	-48%	2	\$ 735	\$ 1,045,546	114
11	11/12/2004	\$ 10,574	\$ 21,186	\$ 31,760	5,267	2061%	5	\$ 6,352	\$ 1,077,306	61
12	11/19/2004	\$ 6,343	\$ 14,472	\$ 20,815	3,452	-34%	6	\$ 3,469	\$ 1,098,121	56
13	11/26/2004	\$ 1,741	\$ 5,051	\$ 6,792	1,126	-67%	5	\$ 1,358	\$ 1,104,913	74
14	12/3/2004	\$ 213	\$ 3,041	\$ 3,254	540	-52%	2	\$ 1,627	\$ 1,108,167	85
15	12/10/2004	\$ 875	\$ 2,019	\$ 2,894	480	-11%	2	\$ 1,447	\$ 1,111,061	101

* Estimated by using the average ticket price in 2003, \$6.03

Source: Variety

Exhibit 2 TAE GUK GI Weekly Openings

Opening

9/3/04

AMC River East 21 - Chicago, ILAMC Theaters-Indy,Chicago
Camera 12 - San Jose, CA Nyblom Theaters
CENT Great Mall 20 - Milpitas, CACentury Theatres
Crown Village Crossing 18 - Skokie, ILLesser Theater Service
EDW Brea Stadium 22 - Brea, CA Regal Cinemas
EDWD Atlantic Palace 10 - Alhambra, CARegal Cinemas
EDWD Cerritos 10 - Cerritos, CA Regal Cinemas
EDWD Irvine Spectrum 21 - Irvine, CARegal Cinemas
EDWD Mira Mesa Stadium 18 - San Diego, CARegal Cinemas
ESP Gardena Cinema - Gardena, CAExhibitor Support Partnership
Glendale Central Cinema 5 - Glendale, CALayton-Belling & Associates
Imaginasian - New York, NY Imaginasian
LAEM Fairfax Cinema - Los Angeles, CALaemmle Theaters
LAND Shattuck Cinemas - Berkeley, CALandmark Theaters
LOCP 34th Street - New York, NYLoews Cineplex Entertainment
LOCP Meridian Cinemas - Seattle, WALoews Cineplex Ent.
LOCP Rio 18 Cinemas - Gaithersburg, MDLoews Cineplex Entertainment
LOCP Wisconsin Ave 1-6 - Washington, DCLoews Cineplex Entertainment
LTS Mayfair Triplex - West New York, NJLesser Theater Service
Majestic 20 - Silver Spring, MDConsolidated Theatres
Movieworld 7 - Douglaston, NYLesser Theater Service
PACF Gaslamp 15 - San Diego, CAPacific Theaters
Pearlridge West - Aiea, HI Pacific Theaters
REGL Garden Grove 16 - Garden Grove, CARegal Cinemas
REGL Terrace Cinema 6 - Rancho Palos Verdes,Regal Cinemas CA
SIGN Dole Cannery 18 Theatre - Honolulu, HISignature Theatres
UA Fairfax Town Center 10 - Fairfax, VARegal Cinemas
UA Galaxy - San Francisco, CA Regal Cinemas
UA Pasadena Marketplace - Pasadena, CA Regal Cinemas

9/10/04

CENT Century Cinema 16 - Mountain View, CACentury Theatres
NAM Edgewater Multiplex - Edgewater, NJNational Amusements
REGL Lakewood Cinema 15 - Lakewood, WARegal Cinemas

9/17/04

MANN Glendale Mkt Place 4 - Glendale, CAMann Theatres
NAM College Point Multi 12 - Whitestone, NYNational Amusements
SIGN Keauhou 7 - Kailua-Kona, HISignature Theatres
SIGN Windward Stadium 10 - Kaneohe, HISignature Theatres
UA Brandon Twin - Forest Hills, NYRegal Cinemas

9/24/04

AMC Glen Lakes 8 - Dallas, TXAMC Theaters-Dallas
AMC Studio 30 - Houston, TX AMC Theaters-Dallas
CineArts @ Santana Row - San Jose, CACentury Theatres
CLVW Bergenfield Cinema 5 - Bergenfield, NJClearview Cinemas
LTS Main Street Quad - Flushing, NYLesser Theater Service

MANN Exchange 10 - Glendale, CAMann Theatres
Regal Arbor Cinemas @ Great Hills - Austin, TXRegal Cinemas
Regl Hollywood 24 @ Chamblee - Chamblee, GARegal Cinemas
SIGN City Centre 16 Cinema - Stockton, CASignature Theatres
SIGN Manchester Stadium 16 - Fresno, CASignature Theatres

10/1/04

CENT Century 25 @ Union Landing - Union City, Century Theatres
EDWD Anaheim Hills Fest 14 - Anaheim Hills, CARegal Cinemas
LOCP Cherry Hill 20 - Cherry Hill, NJLoews Cineplex Entertainment
NAM Fairfax Corner: Cinema De Lux - fairfax, VA National Amusements

10/8/04

LOEW State Theatre - New York, NY, Loews Cineplex Entertainment
Regency Academy 6 - Pasadena, CA, Regency Theatres
UA Clovis Town Center 8 - Clovis, CA, Regal Cinemas

10/15/04

CONS Kaahumanu 6 - Kahului, HI, Pacific Theaters
Four Star - San Francisco, CA, Exhibitor Support Partnership

10/22/04

Bijou Cinema - Worcester, MA, Wee Cinema Corp.
Milpitas 10 Theatres - Milpitas, CA, Theatre Services Unlimited

10/29/04

REGL Lloyd Mall 8 - Portland, OR,Regal Cinemas
WTC Restaurant Row 9 - Honolulu, HI, Wallace Theaters

11/19/04

The Loft Cinema - Tucson, AZ, Tucson Cinema Foundation

Exhibit 3 Shiri and TaeGukGi postcard samples

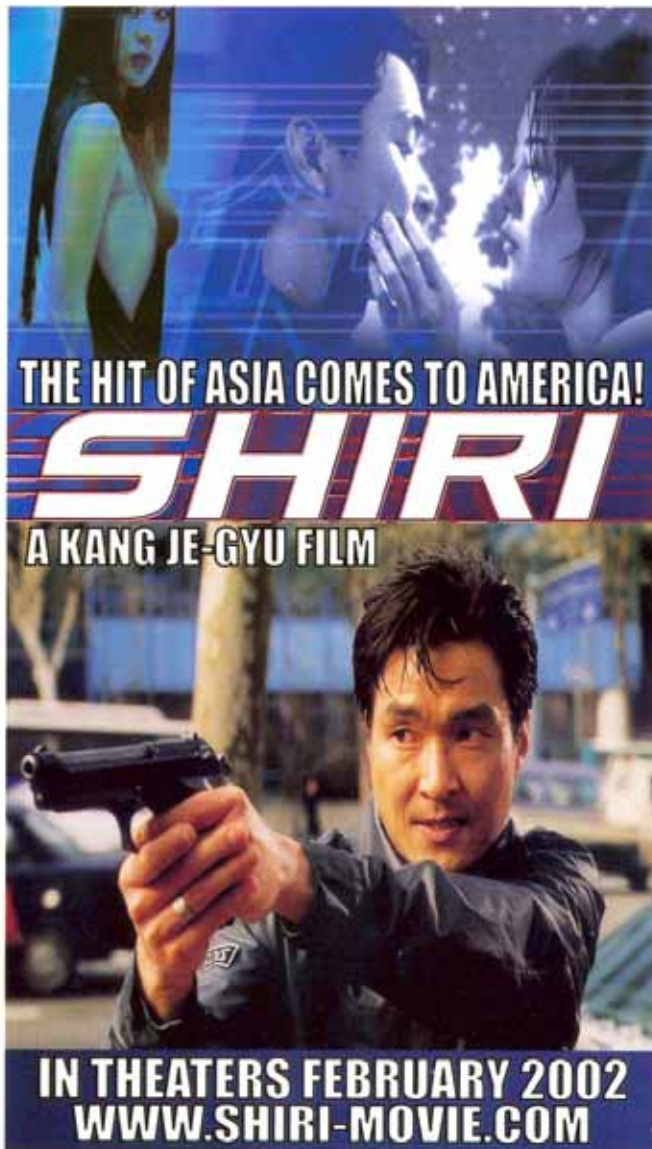


Exhibit 4 TAE GUK GI Review Quote Sheets²⁴ in Newspapers and Magazines

Fascinating! Kang Je-gyu is the Spielberg of East Asia.

- Dave Kehr, New York Times

**** An intense, powerful film!

TAE GUK GI is a big-time movie that never loses sight of its human story.

- G. Allen Johnson, SF Chronicle

Compelling & Noteworthy! Combines sentimentality and an unmistakable hostility toward war.

- Kenneth Turan, Los Angeles Times

A searing depiction of war in all its savagery.

- Andrea Gronvall, Chicago Reader

Tough and Honest! Ambitious and stirring! Quite powerful.

- Stephen Hunter, Washington Post

A moving, beautiful love story.

- Jamie Sotonoff, Daily Herald

A deeply heartfelt homage to Korea's past.

- Elizabeth Weitzman, NY Daily News

A smashingly effective, almost operatic melodrama.

- David Chute, LA Weekly

***1/2 An extraordinary film! TAE GUK GI will be talked about for years – and it deserves to be!

Director Kang dedicates himself to the human side of a grand tale.

- Robert K. Elder, Chicago Tribune

TAE GUK GI has a formidable intensity.

- Ed Park, Village Voice

Surpasses Spielberg's SAVING PRIVATE RYAN.

TAE GUK GI is darn close to war movie heaven.

- Patrick Macias, SF Bay Guardian

²⁴ Selected by IDP for consensus issues

The film ends with the subtlest hint of hope.

- Melissa Anderson, Time Out NY

An intimate and emotional character-driven story.

Jang Dong-gun and Won Bin have terrific depth and intensity.

TAE GUK GI has the psychological cold sweat of THE DEER HUNTER and the in-the-trenches visceral impact of SAVING PRIVATE RYAN.

Powerful! TAE GUK GI is a searing look at the Korean War.

- Andrew Sun, Hollywood Reporter

Exhibit 5 Spring Summer Fall Winter... and Spring Weekly Box Office

Week	Opening Weekend	Weekdays BO	Weekend BO	Full Week BO	Audience*	% Change in BO	# of Screens	\$ per Screen	US Cum. BO	Ranking
1	4/2/2004	\$ 23,034	\$ 42,561	\$ 65,595	10,878		6	\$ 10,933	\$ 65,595	55
2	4/9/2004	\$ 21,839	\$ 48,673	\$ 70,512	11,694	7%	7	\$ 10,073	\$ 136,107	52
3	4/16/2004	\$ 29,367	\$ 66,288	\$ 95,655	15,863	36%	13	\$ 7,358	\$ 231,762	40
4	4/23/2004	\$ 42,997	\$ 109,040	\$ 152,037	25,213	59%	30	\$ 5,068	\$ 383,799	38
5	4/30/2004	\$ 44,951	\$ 122,116	\$ 167,067	27,706	10%	41	\$ 4,075	\$ 550,866	40
6	5/7/2004	\$ 67,762	\$ 155,545	\$ 223,307	37,033	34%	58	\$ 3,850	\$ 774,173	31
7	5/14/2004	\$ 61,679	\$ 139,914	\$ 201,593	33,432	-10%	59	\$ 3,417	\$ 975,766	30
8	5/21/2004	\$ 47,608	\$ 137,361	\$ 184,969	30,675	-8%	57	\$ 3,245	\$ 1,160,735	28
9	5/28/2004	\$ 46,913	\$ 207,832	\$ 254,745	42,246	38%	60	\$ 4,246	\$ 1,415,480	28
10	6/4/2004	\$ 69,114	\$ 145,627	\$ 214,741	35,612	-16%	74	\$ 2,902	\$ 1,630,221	21
11	6/11/2004	\$ 63,323	\$ 110,830	\$ 174,153	28,881	-19%	71	\$ 2,453	\$ 1,804,374	31
12	6/18/2004	\$ 49,493	\$ 80,267	\$ 129,760	21,519	-25%	60	\$ 2,163	\$ 1,934,134	37
13	6/25/2004	\$ 27,602	\$ 52,376	\$ 79,978	13,263	-38%	46	\$ 1,739	\$ 2,014,112	41
14	7/2/2004	\$ 25,384	\$ 39,863	\$ 65,247	10,820	-18%	39	\$ 1,673	\$ 2,079,359	47
15	7/9/2004	\$ 20,978	\$ 25,871	\$ 46,849	7,769	-28%	32	\$ 1,464	\$ 2,126,208	51
16	7/16/2004	\$ 13,175	\$ 15,501	\$ 28,676	4,756	-39%	15	\$ 1,912	\$ 2,154,884	61
17	7/23/2004	\$ 9,805	\$ 12,170	\$ 21,975	3,644	-23%	13	\$ 1,690	\$ 2,176,859	62
18	7/30/2004	\$ 6,266	\$ 7,801	\$ 14,067	2,333	-36%	13	\$ 1,082	\$ 2,190,926	75
19	8/6/2004	\$ 23,397	\$ 19,492	\$ 42,889	7,113	205%	7	\$ 6,127	\$ 2,233,815	64
20	8/13/2004	\$ 14,313	\$ 25,902	\$ 40,215	6,669	-6%	12	\$ 3,351	\$ 2,274,030	62
21	8/20/2004	\$ 12,084	\$ 14,321	\$ 26,405	4,379	-34%	8	\$ 3,301	\$ 2,300,435	74
22	8/27/2004	\$ 6,701	\$ 15,619	\$ 22,320	3,701	-15%	12	\$ 1,860	\$ 2,322,755	75
23	9/3/2004	\$ 9,013	\$ 7,448	\$ 16,461	2,730	-26%	5	\$ 3,292	\$ 2,339,216	90
24	9/10/2004	\$ 4,937	\$ 8,182	\$ 13,119	2,176	-20%	7	\$ 1,874	\$ 2,352,335	90
25	9/17/2004	\$ 11,672	\$ 8,283	\$ 19,955	3,309	52%	9	\$ 2,217	\$ 2,372,290	91
26	9/24/2004	\$ 2,691	\$ 2,801	\$ 5,492	911	-72%	8	\$ 687	\$ 2,377,782	110
27	10/1/2004	\$ 331	\$ 2,297	\$ 2,628	436	-52%	4	\$ 657	\$ 2,380,410	121
28	10/8/2004	\$ -	\$ 378	\$ 378	63	-86%	1	\$ 378	\$ 2,380,788	140

Exhibit 6 List of Contributors to the Report

In the alphabetic order

*In-Depth Interviewees and Respondents to the Survey*²⁵

Chi-Hui Yang	Festival Director	SF Asian American Film Festival
David Chu	VP Acquisition	Imagine Asia TV / Theatre
David Dinerstein	Co-president	Paramount Classics
David Miercort	SVP, VP Acquisition	Miramax
Dennis Bartok	Programming Director	American Cinematheque
Donald Krim	President	Kino International
Edith Kramer	Film Director	Pacific Film Archive
Gary Hirsh	VP Acquisition	Sony Pictures Entertainment
Laura Kim	EVP Marketing	WB Independent
Mark Willams	President, Marketing	AD vision
Michael Barker	Co-president	Sony Classics
Peter Goldwyn	Manager of Acquisition	Samuel Goldwyn Films
Richard Pena	Program Director	Film Society of Lincoln Center
RJ Millard	VP Marketing	IDP Films
Roger Garcia	Asian Film Programming	SF Int'l Film Festival
Roy Lee	Producer	Vertigo
Tracey Garvin	VP Marketing	Sony Pictures Entertainment

MBA students at Haas School of Business at Berkeley for Specialty Films Market Research

Florence Dulla
Valerie Skarbek
Yang Kyu Kim

²⁵ Due to confidential issues, the online survey tool that was used for this research did not allow to track the respondents, therefore, some people may not have participated in the online survey.

